Hargreaves Lansdown plc

Report and Financial Statements

for the year ended 30 June 2008

Registered number: 2122142

HARGREAVES LANSDOWN

Contents

About us

Hargreaves Lansdown distributes investment products and attracts high quality earnings based upon the value of investments under administration or management.

Our success can be attributed to innovative marketing, a high retention of clients, through the provision of first class service and information and a unique direct selling model which is cost effective, scalable and affords a high profit margin.

Our aim

We aim to help investors make more of their investments by providing the best information, the best service and the best prices in a manner which creates most value for our shareholders.

2007/08 highlights

- Revenue increased by 22% to £120.3m (2007: £98.8m)
- Underlying operating profit* increased by 42% to £57.8m (2007: £40.7m)
- Underlying operating profit* margin has increased to 48% (2007: 41%)
- Underlying diluted earnings per share** increased by 41% to 9.0p (2007: 6.4p)
- Assets under administration increased by 9% to £11.1bn (2007: £10.2bn) despite a 16% decline in the FTSE ALL Share index
- Total dividend payout for the year of 7.809 pence per share ***

(*) Operating profit before exceptional administrative expenses
(**) Based upon earnings before exceptional administrative expenses and investment gains, and the weighted average fully diluted share capital
(***) Comprising 3.065 pence interim dividend, 2.42 pence final dividend and 2.324 pence special dividend

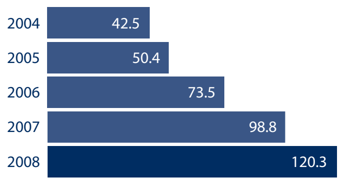
Financial Highlights

	2008	2007	Increase
Revenue	£120.3m	£98.8m	+22%
Proportion of recurring revenue	72%	65%	+7pts
Underlying operating profit (*)	£57.8m	£40.7m	+42%
Underlying operating profit margin	48%	41%	+7pts
Total assets under administration	£11.1bn	£10.2bn	+9%
Underlying diluted earnings per share (**)	9.0p	6.4p	+41%

(*) Operating profit before exceptional administrative expenses
(**) Based upon earnings before exceptional administrative expenses and investment gains, and the weighted average fully diluted share capital

22% increase in revenue

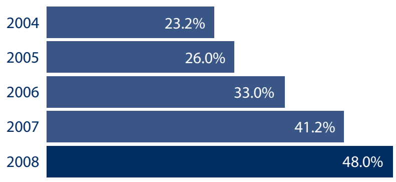
Revenue increased by 22% to £120.3 million, principally due to an increase in revenue of £25.9 million across the Vantage, Discretionary and Advisory divisions resulting from increased assets under administration and management and a full year's revenue on assets secured in the previous year. The proportion of recurring revenue i.e. management fees, renewal commission and interest, increased from 65% to 72%.



Revenue (£million)

48% underlying operating profit margin

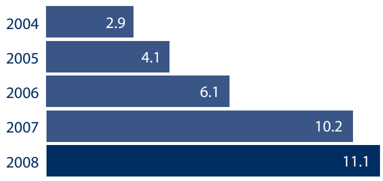
The Group's operating margin increased from 41% to 48%. The increase resulted from revenue growth, driven by higher asset values, which did not necessitate an equivalent rise in costs.



Underlying profit margin

£11.1 bn total assets under administration

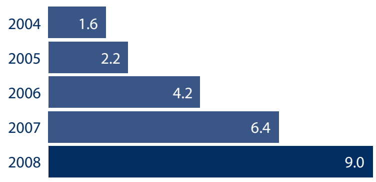
The 9% growth in asset values is attributable to strong new business volumes. There was a 16% fall in the FTSE All Share index during the year.



Total assets under administration (£billion)

41% increase in underlying diluted EPS

from 6.4 pence to 9.0 pence.



Underlying EPS (pence)

Our Business

Hargreaves Lansdown offers a range of investment products, investment services, financial planning and advice. We have established a reputation for providing high quality service and value-for-money products to private investors, whether they are making their own investment decisions or looking for an advisory or discretionary service.

The Group's flagship service, Vantage, is a direct-to-private investor fund supermarket and wrap platform. Vantage offers clients the administrative convenience of being able to hold and manage their investments, including unit trusts, OEICs, equities, bonds, investment trusts and cash, irrespective of the tax vehicle, in one place with consolidated valuation reports, a single dealing service and instant online access.

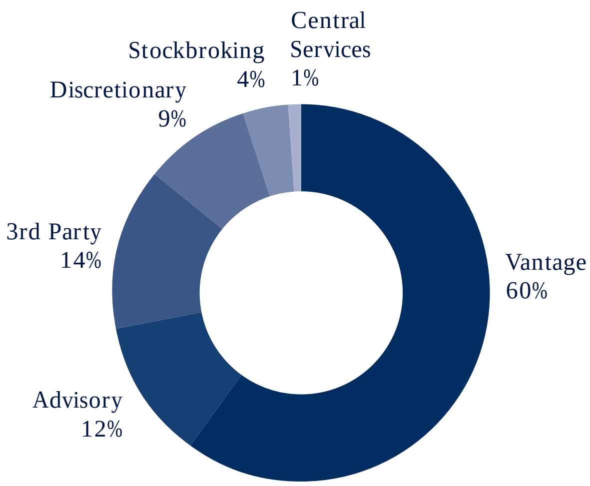
The Group also provides investment management, independent financial advisory and stockbroking services to private investors and advisory services to companies in respect of group pension schemes.

Revenue contribution

We have five main operating divisions:

Vantage
Advisory
Discretionary
Third Party
Stockbroking

in addition to our Central Support Services division.



At a glance

Assets under administration at 30 June 2008
£11.1 bn
(2007: £10.2 bn)

Underlying operating profits for the year to 30 June 2008
£57.8 m
(2007: £40.7 m)

Revenue for the year to 30 June 2008
£120.3 m
(2007: £98.8 m)

Employees (full time equivalents) at 30 June 2008
639
(2007: 648)

Offices - Bristol, also satellite office in London, and financial advisers throughout the UK. Website - www.H-L.co.uk

Recent awards

2008

- Most Effective Employer and Adviser Partnership Award - Employee Benefits
- Best Investment Manager - FT and Investors Chronicle Wealth Management Awards
- IFA Personality of the Year - Investment Week Fund Manager of the Year Awards 2008 – Mark Dampier

2007

- Best Online Broker Customer Service - Investors Chronicle
- Best Cautious & Income Multi-Manager Fund - Professional Adviser
- Best Multi-Manager research team - Professional Adviser
- Best Financial Planning Broker of the year 2007 - Shares Magazine
- Best Financial Advice Site - Online Finance Awards
- Best SIPP Provider - What Investment
- Best Share Dealing Service - What Investment
- Best IFA 2007 - Personal Finance and Savings Awards
- Corporate Adviser of the Year 2007 - Nic Nicolaou Financial Adviser
- SIPP Adviser of the Year 2007 - Danny Cox - Financial Adviser
- SIPP Provider of the Year - UK Pension Awards

Our Objectives

Mission

Hargreaves Lansdown is in business to help investors make more of their money by providing a combination of the best information, the best service and the best prices in its areas of operation, thereby creating value for clients, staff and shareholders.

Objectives

- We strive to make Hargreaves Lansdown the best and most profitable in all the areas in which it operates.
- We aim to attract and retain clients by identifying and satisfying their investment requirements fairly and profitably. Whether they are making their own investment decisions, or looking for advisory or discretionary services, we aim to offer a broad range of investment solutions.
- We strive to provide shareholders with a growing stream of dividend income, delivered by steady and consistent growth in earnings per share as market conditions permit.
- We aim to provide our staff with satisfying careers and an opportunity to contribute to and participate in the success of the business.

Strategy

To fulfil our objectives, we need to command and retain the trust of our clients by consistently delivering on the commitments we make. We must maintain our client focus, putting the best long term interests of the client first, regardless of short term pressures, fashions or market conditions. By creating value for our clients, we believe we will create long term value for shareholders and provide fulfilling careers for our staff.

In particular, we shall focus on the following:

- Continued direct, quality service to generate growth in Vantage, our direct to investor fund supermarket and wrap platform;
- Delivering strong performance to increase assets under management in the Hargreaves Lansdown range of multi-manager funds and our Portfolio Management Service;
- Continuing to provide a premium personal financial advisory service, using our direct mail expertise to streamline the advisory process;
- Continuing to provide a high quality Stockbroking service;
- Continuing to improve terms and earnings quality within the business;
- Heightening the visibility of the Hargreaves Lansdown brand;
- Continuing in our commitment to provide high quality service to clients through all the channels available, but helping more clients to benefit from online usage;
- Increasing operational efficiency and maintaining rigorous cost control;
- Managing risk effectively; and
- Providing independent, clear information, or advice if preferred, so that people can identify their financial priorities and choose appropriate products and solutions.

Chairman and Chief Executive's Statement

We are pleased to announce our final results for the year ended 30 June 2008. Hargreaves Lansdown is a leading provider of investment management products and services to private investors in the UK, and 2008 saw us continue to grow the business despite challenging market conditions.

Our first full financial year as a publicly quoted company has been a testing time. Our trading results must be viewed in light of the state of world stock markets and the world economy. Volatile markets bring the fear factor to the fore and investors shun stock market investment. Salient factors affecting financial markets have been numerous, such as the American sub-prime debacle, the collapse of property markets, the credit crunch, the oil price and recent falls in the Chinese and Indian stock markets, which had been billed as two of the world's most promising economies. The bulk of our revenue is derived from the value of assets held under administration or management on behalf of clients. In volatile times one of the major stimuli to that income is the change in the value of the stock markets in which our clients invest – predominantly the UK market. The most relevant index, the FTSE All Share, decreased during the period by 16%, a fall which the bulk of our assets under administration would have suffered.

During the financial year ended 30 June 2008 the assets that we administer for clients have increased from £10.2 billion to £11.1 billion, an increase of £0.9 billion or 9%. We would be the last to be pleased about the overall figure but in light of markets this result is nothing less than remarkable. It does demonstrate our ability to grow client assets even in adverse conditions. Our ongoing service, approachability and alacrity have held us once again in good stead. The business has demonstrated innovative and entrepreneurial ability which we believe has resulted in us increasing our market share, specifically in the ISA market.

Results

The Group has had a successful year's trading, particularly in the context of less favourable market conditions. This performance is reflected in both underlying operating profit before tax (and exceptional items) which increased by 42% from £40.7 million to £57.8 million and turnover which increased by 22% from £98.8 million to £120.3 million. The percentage of revenue which is recurring in nature (i.e. renewal commission, management fees and interest) increased from 65% to 72%. Operating costs were well controlled during the year and our underlying operating profit margin increased from 41% to 48%. Underlying diluted earnings per share have risen by 41% to 9.0 pence compared with 6.4 pence for 2007.

During the year our assets under administration increased by 9% from £10.2 billion to £11.1 billion. This includes £1.4 billion of assets also under our management, an increase of 8% on the previous year. The growth in assets under administration and management has arisen as a result of strong net inflows which have more than compensated for market decline.

Dividend

We have declared a final ordinary dividend of 2.42 pence per share, taking the total ordinary dividends up to 5.485 pence per share. This total dividend payout equates to 60% of post tax profits. As we have said previously, we do not intend to accumulate cash going forwards and are therefore pleased to declare a special dividend of 2.324 pence per share. This equates to a further 25% of post tax profits. Any special dividend in future years will depend upon our future cash requirements and therefore may vary.

Outlook and Strategy

The outlook for markets remains gloomy and people are unlikely to invest when they believe stocks will decline in value. The events that unfurled during the last 18 months gave all citizens a reminder about the ills of profligacy. Many people are currently repairing their own balance sheets and we are seeing a boost in savings. Initially this money will not be invested in the stock market and investments in which Hargreaves Lansdown specialises but eventually when there is confidence we shall see investors once again putting a toe in the water. In the meantime we have ideas to help in our quest to continue gathering assets. We have demonstrated we can look after our clients well and be good custodians.

One area which arguably should be less affected by markets is our SIPP (Self Invested Personal Pension). However it is our belief that the economy will also have an effect on clients' ability and propensity to make pension contributions, many perhaps deferring the decision until the end of the tax year, preferring to keep their cash in case of need. However, there is one opportunity on the horizon, from October; the eligibility for inclusion in SIPPs of protected rights pension monies. Elsewhere, our Corporate Solutions division has focused on building awareness of our Group SIPP offering with considerable success. This is the last main piece in the jigsaw puzzle to move away from indemnity commission and provide us with what we believe is a better long term business but at the cost of short term profit.

The depth and the extent of any recession that might occur may be fully discounted but it is possible that stock markets have further to fall. There is a silver lining to the cloud; in volatile times investors do seek to cut costs which could benefit our Vantage service, whilst others will seek more personal assistance and we have experienced more frequent requests for our Financial Practitioners division to help clients through these troubled times. For the industry in which we trade, these may be the most difficult times faced in recent history but the quality of our offering, the high calibre of our staff and our underlying income base afford us the potential to emerge with significantly higher market share. Our regular client contact will enable us to be the first to sense the green shoots of client confidence which, if history repeats itself, will surely occur one day.

Regulation

The regulatory environment that we operate in is continuing to evolve towards a more principles based approach with primary importance placed on ensuring that investors are treated fairly. This fits perfectly with Hargreaves Lansdown's culture and business goals because fair treatment of clients is central to our success as a business. In 2007 new regulations stemming from the EU took effect as part of the EU's move towards creating a level playing field across Europe. We have implemented measures to comply with these new requirements, which in themselves have not had a significant or detrimental impact on our business model. The Financial Services Authority is continuing its work on the 'Retail Distribution Review' looking at the way the financial services sector operates. We do not believe that the FSA's preliminary proposals on the review will have an adverse effect on our business.

Board Changes

We were delighted to welcome Jonathan Davis who joined the Board on 1st February 2008 as our third non-executive director. This fulfils the commitment we made in the last financial report to bring our Board into line with best practice. Jonathan is a former senior business journalist on The Times, The Economist and The Independent, is a regular columnist in the Financial Times, is founder of Independent Investor LLP, an independent investment publishing business and is Investment Director of Agrifirma Services Ltd, an investment advisory firm. Jonathan's knowledge and experience will be of great benefit to the Board and we very much look forward to working with him.

It was with disappointment that we accepted the resignation of Adam Norris as managing director of our advisory and corporate business on 13th March 2008, to pursue other interests outside of the financial services sector. Adam had been with the Company for almost ten years and we should like to thank him for his contribution to the Group in helping to establish ourselves as a significant player in the corporate pensions market.

Offices

On 25th October 2007 we signed the agreement to lease our new premises at Harbourside in Bristol. The offices of 100,000 square feet will allow us to consolidate all our businesses under one roof and improve the dynamic of our business. Work is now well under way and we anticipate moving in to these new premises in December 2009 / January 2010.

Conclusion

Our continued growth and resilient performance against the backdrop of a volatile market have been achieved thanks to the hard work of our talented people and the continued trust and support of our clients, for which we are extremely appreciative. We are constantly looking at ways to incentivise our staff and have recently improved the pension arrangements available to them by establishing a Group SIPP and relaxing the restrictions for eligibility of our group life and income protection schemes. Irrespective of what market conditions prevail, we remain committed to growing our business and providing our clients with the best service, the best prices and the best information.

Peter K Hargreaves
Chief Executive Officer
24 September 2008

Stephen Lansdown
Chairman

Operating and Financial Review

This Operating and Financial Review ('OFR) has been prepared to provide additional information to shareholders to assess the current position and future potential of the Group. It should not be relied on by any other party for any other purpose. This OFR contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from the results discussed in the forward-looking statements as a result of various economic factors or the business risks, some of which are set out in this document.

Certain figures contained in this OFR, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.

This OFR has been prepared with consideration to the ASB's 2006 Reporting Statement on OFRs.

Long term strategy and key objectives

Hargreaves Lansdown is a leading provider of investment management products and services to private investors in the UK. Our flagship service, Vantage, is a direct-to-private investor fund supermarket and wrap platform. Vantage offers clients the administrative convenience of being able to hold and manage their investments, including unit trusts, OEICs, equities, bonds, investment trusts and cash, irrespective of the tax vehicle, in one place with consolidated valuation reports, a single dealing service and instant online access.

In addition to offering externally managed investment products, we manage funds through our own range of multi-manager funds and PMS, our discretionary portfolio management service. We also provide independent financial advisory and Stockbroking services to private investors and advisory services to companies in respect of group pension schemes.

In providing this breadth of services direct to the private investor, we offer a compelling proposition for clients.

Fund supermarkets and wrap platforms typically focus on servicing the IFA community and are remunerated for acting as administrator. The IFA using the platform is remunerated for acting as distributor. We provide our fund supermarket and wrap platform direct to the private investor, thereby performing the role, and capturing the economics, of both the platform provider and distributor.

We believe that this business model, together with our significant purchasing power, enables us to retain a greater share of the annual management charge, also known as renewal commission, from fund providers than we would through acting solely as a fund distributor or a fund platform provider. We strengthen our ability to win and retain clients by discounting initial charges and passing on a portion of the annual management charge to clients as a loyalty bonus on many Vantage accounts. The Hargreaves Lansdown business model allows us to offer highly competitive prices to our clients and achieve strong profitability.

We aim to create shareholder value by being the leading provider of investment management products and services to private investors in the UK. Our strategy is focused on growing the value of assets we have under administration or management and consequently increasing our revenues, maintaining tight cost control and improving our profit margin. In particular, we will focus on:

Administration
- providing high quality information and services to our clients
- continuous improvements to our platform and infrastructure
- giving clients the confidence and support to transact business online
- motivating and retaining our talented employees
- maintaining our client-focused and entrepreneurial culture
- cost control and operational efficiency
- relocation of our staff into a single location

Marketing
- maintaining our dialogue with clients
- expanding our investor database
- improving our range of services
- remaining flexible, responsive and opportunistic
- maintaining and improving our profile
- improving our data capture and data mining

Competition and markets

The markets in which Hargreaves Lansdown operates are highly fragmented. We compete with other businesses providing investment products and services direct to the private investor. These include IFAs, execution-only brokers, banks, building societies, life assurers and those fund supermarkets and wrap platforms which are available direct to the private investor. We believe that Vantage is the largest fund supermarket and wrap platform for the private investor in the UK.

Our target market is the UK mass affluent population looking to invest their savings and we are encouraged by the scope for growth in this market.

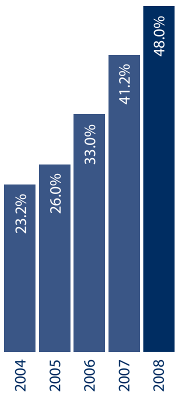
Key Performance Indicators

We use a range of indicators across each of the divisions in order to assess performance. However, we consider the following indicators to be key when looking at the overall performance of the Group.

	2008	2007	Increase
Underlying diluted earnings per share (1)	9.0p	6.4p	+41%
Underlying % operating profit margin (2)	48%	41%	+7pts
Total Assets Under Administration	£11.1bn	£10.2bn	+9%
FTSE All Share Index (3)	2855.69	3404.14	-16%
Percentage of recurring revenue (4)	72%	65%	+7pts
Percentage of assets earning recurring revenue (5)	88%	86%	+2pts
Number of Vantage clients (6)	245k	218k	+12%

Notes:
1. Based upon earnings before exceptional administrative expenses and investment gains, and the weighted average fully diluted share capital
2. Operating profit before exceptional administrative expenses divided by revenue
3. The closing values as at 30 June 2008 and 29 June 2007, sourced from ProQuote.
4. Total value of renewal commission, management fees and interest earned on client money, as a percentage of total revenue.
5. Percentage of assets either held in an account which generates a fixed management fee or held in an account which generates management fees, renewal commission or interest proportionate to the value of assets held.
6. Unique number of clients holding at least one Vantage account (ISA, SIPP or Fund and Share Account) with a value greater than £100 at the year end.

We consider a fully diluted EPS figure, which excludes the impact of exceptional items and investment gains, to be the most appropriate measure of performance. This increased by 41% in the year from 6.4 pence to 9.0 pence.



Underlying profit margin

The underlying operating profit margin is another key financial indicator, increasing from 41% to 48%.

The table shows how the margin has grown significantly year-on-year since 2004. The Group's revenue, predominantly derived from asset values, has been able to grow quicker than costs. The efficiency of the Vantage platform is central to the scalability of the business model.

A key indicator of success for the Group is the extent to which it has increased its total assets under administration (AUA) during the period. This involves encouraging existing clients to entrust us with more of their savings through the provision of quality service, information and pricing, whilst also attracting new clients through our various marketing initiatives. In 2008, the total value of assets increased by 9% from £10.2 billion to £11.1 billion, driven by growth of 10% in Vantage AUA which grew from £9.1 billion to £10.0 billion. Analysis of our assets under administration suggests that the FTSE All-Share is the most appropriate benchmark to use for the market and so any change in this index can form a useful comparison against the growth in AUA. In the year ended 30 June 2008 this index fell by 16%. This decline was more than offset by net new business to give the 9% growth.

The importance of AUA is that they produce a recurring revenue stream made up of renewal commission, management fees and interest. The percentage of revenue attributable to these 'quality earnings' increased from 65% in 2007 to 72% in 2008. However, not all of our AUA generate recurring revenue. For example, there are no annual charges levied on equities held in the Vantage Fund and Share Account. For these assets the Group receives dealing commission based upon the levels of trading activity. So when looking at the growth in AUA, it's relevant to consider another indicator, the proportion of AUA which generate recurring revenue. This has increased from 86% in 2007 to 88% in 2008. This can largely be attributed to the substantial volume of Hargreaves Lansdown shares in the Fund and Share account which, like all equities in this account, do not generate any recurring revenue. The price of these shares decreased during the year alongside the generally tough conditions for financial stocks.

The indicators mentioned above provide a useful measure of how successful the Group has been in gathering assets under administration. However, it does not give any indication of whether this success is predominantly due to effective cross selling to existing clients and their increasing wealth or whether the Group is successfully adding to its client bank. This is essential in order to replace natural client losses and expand the business. The number of active Vantage clients acts as an indicator of how successful the Group has been in this respect. In 2008, the number has increased by 12%, driven in particular by new ISA and SIPP accounts opened throughout the year.

Operating and Financial Review - continued

Review of results

	At 30 June 2008 £'billion	At 30 June 2007 £'billion
Assets Under Administration "AUA"		
- Vantage	10.0	9.1
- Other	0.2	0.2
AUA Total	10.2	9.3
Assets Under Administration and Management "AUM"		
- Portfolio Management Service PMS	0.9	0.8
- Multi-manager funds excluding PMS	0.4	0.5
AUM Total	1.4	1.3
Less: Multi-manager funds included in both AUA and AUM	(0.4)	(0.5)
Total Assets Under Administration	11.1	10.2

The value of total assets under administration grew by 9% during the period, from £10.2 billion to £11.1 billion. This is largely made up of £10.0 billion (2007: £9.1 billion) of assets held within the Vantage service, with the remainder being assets held within the Portfolio Management Service and other nominee portfolios. We estimate that the £0.9 billion (2007: £3.7 billion) increase in Vantage assets from £9.1 billion to £10.0 billion can be attributed to £2.3 billion of net new business (2007: £2.1 billion of net new business plus an estimated £0.8 billion of Hargreaves Lansdown plc shares), other positive growth factors with a value of £0.1bn, such as retained investment income and £1.5 billion of market decline (net of interest credited to clients on cash balances) compared to £0.8 billion of market growth in 2007. Contributing to this market decline and following less favourable market conditions for financial stocks during the year, the price of Hargreaves Lansdown shares ended the year 29% lower, with a value of £0.6 billion on the platform compared to an opening value of £0.8 billion. The value of assets managed by Hargreaves Lansdown through its own range of multi-manager funds and PMS increased by 8% (2007: 86%), to £1.4 billion, compared to £1.3 billion as at 30 June 2007. Of these assets under management, £0.4 billion were held within Vantage as at 30 June 2008, compared with £0.5 billion as at 30 June 2007.

	2008 £'million	2007 £'million
Revenue	120.3	98.8
Underlying administrative expenses	(62.6)	(58.1)
Operating profit before exceptional administrative expenses	57.7	40.7
Exceptional administrative expenses (see below)	-	(29.6)
Operating profit	57.7	11.0
Non operating income - investment revenue and other gains	3.2	13.4
Profit before taxation	60.9	24.4
Taxation	(18.5)	(7.4)
Profit after taxation	42.4	17.0

Revenue increased by £21.5 million or 22%, to £120.3 million in the year ended 30 June 2008, compared to £98.8 million for the year ended 30 June 2007. This was driven by an increase in revenue of £25.9 million across the Vantage, Discretionary and Advisory divisions resulting from increased assets under administration and management and a full year's revenue on assets secured in the previous year. The 9% (2007: 67%) growth in asset values was attributable to strong new business volumes, offset by significant market decline. The FTSE All Share index fell by 16% during the year, from 3404.14 to 2855.69. In the previous year, this index had risen by 15%.

The Group's underlying operating profit (operating profit before exceptional items) increased by 42% to £57.8 million in 2008 compared to £40.7 million for 2007. The increase resulted from revenue growth, driven by higher asset values, which did not necessitate an equivalent rise in costs. The Group's operating margin increased from 41% to 48%.

Operating and Financial Review - continued

The Group did not incur any exceptional administration expenses during the year. There were £29.6 million of exceptional expenses incurred in the year ended 30 June 2007. These predominantly represented the amount by which remuneration paid to certain directors of the Company and its subsidiaries exceeded the amounts which might be payable in future years following the agreement of a new remuneration policy in March 2007. The remainder related to costs incurred in relation to the flotation of the Group on the London Stock Exchange.

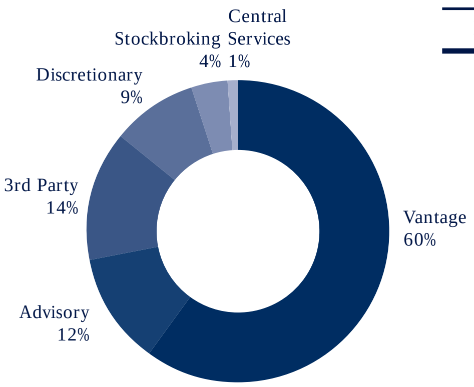
There were £3.2 million of investment revenue and other gains during the year compared to £13.4 million in the year ended 30 June 2007. The higher value in the prior year was predominantly due to the disposal of a number of fixed asset investments during the year which resulted in net gains of £11.9 million. This drop in investment gains was partly offset by an increase in investment revenues, arising from interest on the Group's cash balances which were maintained at higher levels than the previous year.

The Group's reported profit before tax increased to £60.9 million, compared to £24.4 million in the previous year. The effective tax rate for the Group this year was just above 30% which has resulted in a reported profit after tax for the year of £42.4 million, compared to £17.0 million for the previous year.

Revenue

The Group is currently organised into five core operating divisions, based around products and services. The directors do not believe that it is appropriate to apply segmental reporting to these divisions for the reasons set out in note 5 to the financial statements. However, the following analysis of revenue has been provided as additional information to shareholders to assess the position and potential of the Group.

Revenue by division	Year Ended 30 June 2008 £'million	Year Ended 30 June 2007 £'million
Vantage	72.2	52.1
Advisory	14.8	11.9
Discretionary	10.3	7.4
3rd Party	16.3	19.8
Stockbroking	4.9	5.8
Central services	1.8	1.7
	120.3	98.8



The Vantage division increased its revenues by £20.1 million, from £52.1 million to £72.2 million. This resulted from growth in assets under administration from £9.1 billion to £10.0 billion. The revenue growth also reflects the impact of a full year's income on assets acquired during the previous year. The Vantage service allows clients to hold assets in tax efficient wrappers such as an ISA or SIPP, or alternatively in a Fund and Share Account. The highest growth in asset values was evident in the SIPP, with an increase of 64% from £1.4 billion to £2.3 billion. The Fund and Share Account experienced strong net inflows which were largely offset by market decline. The less favourable market conditions this year also explain why the value of ISA assets remained unchanged at £5.0 billion at the year end, despite a good performance in attracting new assets this year.

The Advisory business increased its revenues by £2.9 million, from £11.9 million to £14.8 million. In addition to initial and renewal commission earned on the distribution of third party investments, this division earns initial charges and annual management fees on assets introduced into the Group's Portfolio Management Service (PMS). The value of assets managed in PMS increased by 18% from £784 million to £929 million. This growth can be attributed to high inflows, facilitated by an expanded team of advisors, offset by market decline. As at 30 June 2008, 63% of PMS assets were invested in Hargreaves Lansdown multi-manager funds. The performance of both the multi-manager funds and PMS has been disappointing over the year ended 30 June 2008. This has been predominantly due to a structural bias to equity and fixed interest markets but also a focus on identifying stock picking specialists that often have an overweight exposure to small and mid-sized companies. However, the Group's investment strategy has proved beneficial in the longer term with three of the Group's four fund of funds placed in the top half of their peer groups since launch. The sole distribution of PMS is through the Group's team of advisors. The number of advisors increased from 73 at the start of the year to 86 by 30 June 2008, including 11 advisors allocated to the division's telephone advice service.

The value of Hargreaves Lansdown's multi-manager funds remained flat at £1 billion between 30 June 2007 and 30 June 2008. As at 30 June 2008, 57% of these were held within PMS, 41% were held within Vantage and the remainder were held directly. The Discretionary division earns renewal commission on underlying investments held in PMS, including the value of PMS investments in the Group's multi-manager funds. The multi-manager funds charge 1% annually on the value of funds under management, which is recognised in the Discretionary division net of the renewal commission paid to PMS and Vantage.

Hargreaves Lansdown's Third Party business comprises those investment products which are sold by the Group but not held in Vantage or other Group nominee accounts. These include corporate pensions, personal pensions, annuities, third party investment products and venture capital trusts. The divisions handling Third Party business saw a decline in revenues overall by 18%, from £19.8 million to £16.3 million. Of the £3.5 million decline, £3.0 million can be attributed to a drop in corporate pension revenue resulting from a decline in the number of new

GPP schemes written on an initial commission basis. Instead, the division has shifted its focus and marketing efforts to raise awareness of the Hargreaves Lansdown Group SIPP. The revenue model is different for the Group SIPP in that there is no initial commission, with Hargreaves Lansdown earning renewal commission, management fees and interest on the assets invested in the scheme each year. This is very much in line with the Group's focus on maximising 'quality' recurring revenues. However, there are up front set-up and sales costs involved with a Group SIPP and so the schemes need to be up and running for some time before they become profitable. A number of Group SIPPs were written during the year, including one for Stagecoach. This scheme attracted extensive comment in the industry press because of its pioneering combination of a share account, ISA and SIPP to all Stagecoach employees, not just executives or senior managers. Over time, the management expects a transition in corporate pensions from its traditional initial commission model to a Group SIPP fund based income model. The decline in Third Party business was further exacerbated by an expected decline in the revenue from Third Party investments. This revenue stream is expected to decline as more clients choose to transfer their investments onto the Vantage platform. The rate of the decline will depend to some extent upon market performance, hence the significant drop of £1.0 million this year in line with what's happened in the market. Finally, the drop in revenue for corporate pensions and investments was offset by an increase in revenue of £0.6 million in the personal life and pensions division. This increase was driven by strong sales in annuities, which can be attributed to improved rates, successful marketing and ease of execution through our website. However, the increased revenue from annuities was offset to some extent by a decline in term assurance, which the division stopped marketing towards the end of 2007, following the abolition of pension term assurance.

The Stockbroking division experienced a decline in revenue of 16%, from £5.8 million to £4.9 million. This can primarily be attributed to a higher proportion of equity trades shifting over to Vantage and a higher proportion of trades being placed online, attracting a lower commission rate. On 1st January 2008 an additional dealing charge was added to certificated trades and in advance of this, clients were encouraged to transfer their shares into the Vantage nominee service.

Underlying administrative expenses	Year Ended 30 June 2008 £'million	Year Ended 30 June 2007 £'million
Staff costs	36.5	34.5
Commission payable	10.2	9.3
Marketing costs	6.2	5.8
Depreciation, amortisation and financial costs	1.4	0.8
Other costs	8.3	7.7
	62.6	58.1

Underlying administrative expenses increased by 8%, from £58.1 million to £62.6 million. The Group's largest cost remains staff costs, which represents 58% of administrative expenses (2007: 59%). These costs increased by 6% in line with a 6% increase in average staff numbers.

Commission payable increased from £9.3 million to £10.2 million, a 10% rise. The majority of this represents a share of Vantage renewal commission revenue which is rebated back to clients as a cash loyalty bonus (except with respect to those funds held in the SIPP). The increase can be attributed to a higher value of assets under administration in Vantage throughout the period. The increase in renewal was 15%, offset by a decline in other commission payable driven by the termination of a contract to provide dealing services for a third party in November 2006.

The Group increased its marketing spend by 7%, from £5.8 million to £6.2 million. This includes the costs of sending information to existing and potential clients, including the Group's flagship publication, the Investment Times. These costs also include an element of media advertising, postage, stationery and the cost of corresponding with clients. The increase can be attributed to higher correspondence costs in line with growth and greater advertising activity this year, including the insertion of promotional literature in national newspapers. These costs have been partially offset by an increasing proportion of marketing now taking place online.

As the majority of the Group's platform development is undertaken in-house, the capital expenditure of the business remains fairly low. The charge for depreciation, amortisation and financial costs for the year was not significant at £1.4 million, increasing from £0.8 million in 2007. Some of the increase can be attributed to the reversal of a £0.2 million provision in 2007 which was no longer required. The remainder is predominantly an increase in depreciation although bank charges, associated with processing card payments and foreign currency transactions, had also increased during the year.

Other administrative costs and overheads include items such as building and utility costs, dealing costs, irrecoverable VAT, compliance costs, insurance, professional services, computer maintenance and external administration charges. These were controlled during the period, increasing by just 8% from £7.7 million to £8.3 million. The most significant increases were an increase in compliance costs resulting from the greater size and listed status of the Group and higher IT support costs.

Non operating income

Investment revenues increased from £1.4 million to £3.1 million, as a result of higher cash balances, higher interest rates and the positive impact of our treasury management team throughout the year. There was only one minor investment disposal gain of £0.1 million during the year. In 2007 the Group disposed of the majority of its fixed asset investments, including its holdings in EMX Company Limited and the London Stock Exchange plc. This resulted in net gains in of £11.9 million.

Taxation

Taxation increased from £7.4 million to £18.5 million. The higher charge can be attributed to an increase in pre-tax profits, whilst the effective tax rate has remained at around 30%.

Minority interest

Library Information Services Limited (LIS) is a subsidiary within the Group trading as ‘FundsLibrary’, an online fund data repository specifically designed to meet the needs of professional data users. On 30 November 2007, the Company awarded shares in LIS, representing 15% of the share capital, to Stuart Louden (a director of the subsidiary). The Company owns the remaining 85%. The transaction resulted in a gain of £53,000.

Earnings per share (EPS)

The basic diluted EPS increased from 3.6 pence to 9.0 pence. However the directors consider the most relevant EPS calculation to be the underlying diluted earnings per share. This is calculated as the earnings for the year, adjusted to exclude the net effect of exceptional administration expenses and investment gains, divided by the total weighted average fully diluted number of shares, including those held by the Employee Benefit Trust (EBT). Underlying diluted EPS increased by 41%, from 6.4 pence to 9.0 pence. As at 30 June 2008, the EBT held sufficient shares to satisfy all outstanding share options granted under the Employee Share Schemes.

Dividend

The directors are now recommending a final ordinary dividend of 2.42 pence per ordinary share and a special dividend of 2.324 pence per ordinary share, payable on 30 September 2008 to all shareholders on the register at the close of business on 5 September. When added to the interim dividend of 3.065 pence per share, this brings the total dividends in respect of the year to 7.809 pence per ordinary share.

An arrangement exists under which the Hargreaves Lansdown Employee Benefit Trust (the “EBT”) has agreed to waive all dividends.

Cash flow and capital expenditure

Capital expenditure remained relatively low, decreasing from £1.5 million to £1.1 million, the majority of which related to IT software and hardware.

The Group was highly cash generative during the year with the only significant outgoing from underlying profits being the payment of a dividend. The Group’s own cash balances increased from £32.9 million to £64.5 million during the year. The value of cash held within the EBT has dropped from £12.4 million as at 30 June 2007 to £10.9 million at 30 June 2008 following the purchase of additional Hargreaves Lansdown shares during the year.

Net assets, capital requirement and treasury policy

Group net assets increased from £44.5 million to £70.3 million. The Group has four subsidiary companies which are authorised and regulated by the Financial Services Authority. These firms maintain capital resources at a level which satisfies both their regulatory capital requirements as well as their working capital requirements. As at 30 June 2008, the aggregated regulatory capital requirement across the four regulated subsidiary companies was approximately £7 million (2007: £9 million) compared to capital resources of approximately £32 million (2007: £27 million), which resulted in a surplus of approximately £25 million (2007: £18 million).

The Group has no borrowings and deposits its liquid funds with selected financial institutions which maintain a long term credit rating of AA- or better. In 2008, the Group’s funds were held with no fewer than three of these institutions and up to as many as five. The Board reviews its usage of banks on a regular basis with the primary objective of ensuring the security of its assets and the secondary objective of maximising its return on them. The Group actively maintains cash balances on short term deposit to ensure that it has sufficient available funds for operations. This policy is designed to ensure that the Group takes no material credit risk. The Group is not exposed to significant foreign exchange translation or transaction risk.

Future outlook

In their joint statement, the Chairman and Chief Executive outlined some opportunities facing the business at the moment, such as the eligibility of protected rights monies into our SIPP, the prospect of investors becoming more cost-sensitive and looking to reorganise their portfolios by transferring into Vantage and an increase in demand for our advisory services, as investors seek guidance through the current market uncertainty. We believe that investors will continue to transfer their assets to us in order to benefit from the services and information we provide, together with the transparency, choice and control available through our platform. Although we expect market conditions to remain challenging over the next twelve months, we will focus on exploiting these opportunities with the aim of continuing to grow the business.

Our annuity business, whilst a relatively small part of revenue, continues to grow as a result of improved rates, a high number of people reaching retirement age and a greater awareness of the benefits of shopping around. Our online annuity quote service is receiving a growing number of requests and continues to handle them efficiently.

As always, our ability to gather assets and attract clients will depend on the severity and duration of market fluctuations. However, we remain confident in the quality of our offering and believe that whatever the future holds, we can emerge with an improved presence in the marketplace.

Risks and uncertainties

There are a number of potential risks to the Group which could hinder the successful implementation of our strategy and have a material impact on our long term performance. These arise from internal or external events, acts or omissions which could potentially pose a threat to the future success and survival of the Group. The Board and senior management of Hargreaves Lansdown are proactive in identifying, assessing and managing risk.

The risk profile of the business has not changed significantly this year. The difficulties seen in the banking sector this year have led us to explicitly include the risk of bank default, alongside the more general risk of reliance on third parties. Client money is spread across multiple banks with a long-term credit rating of AA- or better. Our treasury policy is regularly reviewed and discussed by management.

A few of the risks included in last years report have materialised this year, such as market volatility and a consequent drop in the performance of our in-house managed funds. The mitigating factors we also highlighted such as a high percentage of assets in tax wrappers and a cash option on our platform have taken effect and limited the negative impact on our performance this year. However, should this volatility continue for a longer period of time, there is an increased risk that investors will lose confidence and that the value of assets being withdrawn from our platform will rise.

Our IT platform and infrastructure have performed well throughout the year and we have continued to invest and implement changes with a strong focus on mitigating the risks we face in this crucial area.

The risk factors mentioned below do not purport to be exhaustive as there may be additional risks that the Group has not yet identified or has deemed to be immaterial that could have a material adverse effect on the business.

Industry Risks		
Risk Type	**Risk**	**Mitigating Factors / Controls**
Fluctuations in the capital markets	Fluctuations in capital markets may adversely affect trading activity and / or the value of the Group's assets under administration or management, from which we derive revenues.	• Focus on recurring revenue streams over the more volatile transaction-based alternative. • High proportion of assets under administration in tax wrappers so clients less likely to withdraw funds and lose tax benefits. • Cash option enables clients to shelter from market volatility.
Changing markets and increased competition	The Group operates in a highly competitive environment with developing demographic trends and our continued profitability depends on our ability to respond to these pressures and trends.	• Strong market position with pricing power. • Full control over scalable and flexible platform. • Experienced management team with a strong track record of innovation and responsiveness to the market. • Organisational structure and culture promotes responsiveness. • Client focused with a loyal customer base. • Younger clients attracted by SIPP offering.
Evolving technology	The Group's technology could become obsolete if we are unable to develop and enhance our systems to accommodate changing preferences, new products and the emergence of new industry standards.	• Track record of successful development. • High awareness and sponsorship of the importance of technology at Board level. • Substantial development team in place.

Risk Type	Risk	Mitigating Factors / Controls
Regulatory risk	The Group may be materially adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations.	• Business model and culture already geared towards FSA principle of treating clients fairly. • Financial strength of the organisation provides comfort should the capital resource requirement be increased.
Changes in taxation law	Changes made to tax legislation could reduce the attractiveness of some of the Group's investment products such as ISAs and SIPPs.	• The government is more likely to encourage savings in order to plan for an ageing population, which is currently under-provided for.
Damage to the Group's reputation	There is a risk of reputational damage through the actions of unassociated third parties such as the set-up of a copycat website to fraudulently obtain funds from our clients.	• Clients educated to improve awareness of potential 'boiler room' and other online scams. • Hargreaves Lansdown security procedures are well communicated to clients so they are more likely to question anything out of the ordinary.
Operational Risks		
Risk Type	Risk	Mitigating Factors / Controls
Errors, breakdowns or security breaches in respect of the Group's software or information technology systems	Serious or prolonged breaches, errors or breakdowns in the Group's software or information technology systems could negatively impact customer confidence. It could also materially breach contracts we have with our customers and data protection laws, which could render us liable to disciplinary action by governmental and regulatory authorities, as well as to claims by our clients.	• High level of resilience built into daily operations. • IT performance, scalability and security are deemed top priorities by the Board. • Large, experienced in-house team of IT professionals and established name suppliers. • Internal procedures marked against industry best practice.
Business continuity	In addition to the failure of IT systems, there is a risk of disruption to the business as a result of power failure, fire, flood, acts of terrorism, re-location problems and the like.	• Critical applications and infrastructure mirrored across primary and secondary sites. • Business Continuity Plan produced in line with best practice methodologies.
Damage to the Group's reputation	There is a risk of reputational damage including as a result of employee misconduct, failure to manage inside information or conflicts of interest, fraud or improper practice.	• High level of internal controls including checks on new staff. • Well trained staff. • Strong compliance culture.
Key personnel risk	The loss of, or inability to recruit, key personnel could have a material adverse effect on the Group's business, results of operations or financial condition.	• Lock up on shares held of up to four years on directors and senior management. • SAYE schemes in operation to incentivise staff and encourage retention. • Success of the Group should attract high calibre candidates. • Succession planning encouraged throughout Group via management and staff objectives.
Litigation or claims made against the Group	The Group's business entails the risk of liability related to litigation from clients or third parties and actions taken by regulatory agencies. There can be no assurance that a claim or claims will be covered by insurance or, if covered, will not exceed the limits of available insurance coverage, or that any insurer will remain solvent and will meet its obligations to provide the Group with coverage.	• High levels of PI cover. • Comprehensive internal review procedures for marketing literature.

Operational Risks		
Risk Type	**Risk**	**Mitigating Factors / Controls**
Reliance on third parties	Any regulatory breach or service failure on the part of an outsourced service provider could expose the Group to the risk of regulatory sanctions and reputational damage.	• Due diligence forms part of the selection process for key suppliers. • Ongoing review by our internal audit team of key business partners.
Strategic risk	There is a risk that the management will pursue inappropriate strategies or implement the Group's strategy ineffectively.	• Very experienced management team, with a highly successful track record to date. • Management have demonstrated an excellent understanding of the market and continue to monitor this effectively through regular dialogue with clients.
Performance of in-house managed funds	If the investment performance of the Hargreaves Lansdown multi-manager funds were to be poor relative to the market or in absolute terms, the Group would be vulnerable to redemption / cancellation of units by investors in those collective investment funds and a consequential reduction in revenues received from such activities.	• Only manage Funds of Funds, divested equity management to focus on core strength. • Fund analysis focuses on 'stock selection' skills of manager rather than basic performance analysis. • Multi-manager funds well diversified at the underlying fund level as well as by number of funds. • Well established and proven investment process. Our Funds of Funds give investors exposure to a broad range of underlying investments. They are therefore less vulnerable to sector specific poor performance than specialised or focused funds.

Financial Risks		
Risk Type	**Risk**	**Mitigating Factors / Controls**
Liquidity risk	The risk that the Group is unable to meet liabilities as they become due because of an inability to liquidate assets or obtain adequate funding.	• Highly cash generative business. • Low working capital requirement. • Group maintains a substantial surplus above regulatory and working capital requirements. • Treasury management policy provides for the availability of liquid funds at short notice.
Bank default	Given the current economic climate and in particular the unprecedented problems faced by banks, there is a risk that a bank could fail.	• Only use banks with strong credit rating where we do no believe the government would allow them to fail. • Deposits spread across multiple banks. • Regular review and challenge of treasury policy by management.

Operations

IT

We continue to run the vast majority of our administration and systems development in-house rather than outsourcing to third parties. In particular, we maintain full control of the Vantage platform which is fundamental in the administration of both Vantage and the Portfolio Management Service. The notable exception is the administration of our multi-manager funds which is currently outsourced. We believe that having control of our own platform gives us the ability to control service levels and react quickly to changing markets and the needs of our clients. Those areas of our business which are outsourced are kept under close review to ensure they continue to meet our standards.

This year has seen a substantial number of improvements to our product range and our underlying infrastructure. We added a number of new services to our website including a fully online SIPP facility, electronic contract notes, improved research and charting, better navigation and the ability to register non-Vantage investments. The development of our website is a key part of our strategy and we continue to see the benefits of higher volumes of business being transacted online.

The other focus of our IT work has been further improving the performance and resilience of our systems. A number of long-term strategies have been agreed and the implementation of these is now underway. In particular, we are focusing on the re-location of the business planned for December 2009 and the opportunities that such a move affords in terms of re-structuring our network.

Regulation

In their joint report, the Chairman and Chief Executive highlighted a number of changes to the regulatory landscape. We are confident that our current business model is well positioned for these changes and do not expect any significant increase to our regulatory capital requirements, against which we already maintain a healthy surplus.

Resources

Our employees are vital to the Group's continuing success and we continue to focus on motivating and retaining our talented staff. At the end of the year we implemented a Group SIPP using the services of our own Corporate Solutions division. This gives staff additional flexibility and control over their pension and fulfils a wish of many of them to be able to hold Hargreaves Lansdown shares within their pension.

More staff became shareholders during the year through a maturing SAYE scheme. It is our intention to issue new options under this scheme in the year ended 30 June 2009. Our Employee Benefit Trust (EBT) is well funded and holds sufficient shares to satisfy all outstanding options. Further shares were purchased by the EBT during the year to be used for the future incentivisation of staff. With the Company's shares now trading on the main market of the London Stock Exchange, employees are able to quantify the value of their equity interests and this has increased the motivational impact of these schemes. The Board believes that the use of share schemes in the future will continue to incentivise staff and help align their interests with those of other shareholders. Many employees also receive an annual bonus related to the overall profitability of the Group.

In addition to remunerating staff well, we aim to retain and attract staff through the provision of training, career progression, good communication and a vibrant culture. The continued growth and success of the organisation continues to create opportunities for staff. We believe that moving all our staff from our current five locations into a single building will improve communication even further and ensure that we maintain the dynamic culture that has been crucial to the Group's success.

Corporate social responsibility

The Board considers that the environmental risk from direct actions taken by the Group is minimal. However, we appreciate that alongside providing our clients with the best service and producing profits for our shareholders, we can also take sensible steps to reduce the impact of our business on the environment. We continue to shred and recycle confidential waste and have arrangements for the collection of recyclable waste such as printer toner cartridges, cardboard, newspapers and out-of-date literature. We also continue to recycle redundant IT equipment through specialist third parties.

In many respects, our objective of reducing waste and minimising the environmental impact of our business is aligned with our objectives of protecting client data, reducing costs, and improving efficiency. It is our aim to deal with clients and other businesses electronically wherever possible and we have invested heavily in providing a user friendly, comprehensive website and automated links to banks and fund providers. We have recently introduced the facility for clients to opt out of receiving paper valuations and contract notes. Instead these documents are now available in electronic format through our secure website. Our investment in this area will continue and the benefits will grow as more people and businesses choose to transact business and receive information online.

Business travel is another area which impacts both our costs and the environment. We do not provide company cars as standard to managers or to our network of advisors. These are spread throughout the UK which minimises travel time. We have also launched a telephone advice service to handle those cases where a face-to-face meeting is unnecessary.

We appreciate that there is more we could do to reduce the impact of our business on the environment and we aim to improve on the positive steps we have already taken and ensure that social, environmental and ethical considerations are taken into account in our future decision making. When we move to our newly built premises in 2009 we will introduce 'chilled beam' air conditioning, which is up to 60% more energy efficient and intend to utilise technology to manage lighting in a manner which minimises wastage. Our IT strategy going forwards will incorporate the need to minimise power consumption; we have already implemented some positive changes such as a move from CRT to flat screen monitors.

We also intend to assist clients who wish to invest in a socially responsible manner and this year launched an Ethical Investment Service. This included the publication of a guide to ethical and environmental investing called 'The World of Socially Responsible Investing' and a dedicated section of our website with a tool which enables clients to search for funds which meet their ethical criteria.

Critical accounting policies

The accounting policies adopted by Hargreaves Lansdown have been consistently applied throughout the years and are set out in note 2 to the financial statements.

The preparation of our financial statements in accordance with these policies has required management to make a number of estimates, assumptions and judgements. Further details on key sources of judgements and estimation uncertainty are provided in note 3 to the financial statements.

Martin Mulligan
Group Finance Director
24 September 2008

Management Team

The following directors have served during the year:

Non-Executive Directors:

Jonathan Bloomer - Senior non-executive director (aged 54)
Jonathan Bloomer became a non-executive director of the Company in September 2006. Jonathan is currently a partner in Cerberus European Capital Advisers LLP, Executive Chairman of Lucida plc and Chairman of Scottish RE Group Limited. Previously, Jonathan was Chief Executive of Prudential plc. He also spent twenty years in practice with Arthur Andersen LLP. Jonathan was Chairman of the Practitioner Panel of the FSA. His previous positions also include board membership of the Association of British Insurers, Geneva Association (International Association for the Study of Insurance Economics) and Railtrack plc.

Michael Evans - Non-executive director (aged 47)
Michael Evans became a non-executive director of the Company in September 2006. Michael is a qualified actuary with 26 years' industry experience. He is director of life insurance at Pinsent Masons, non-executive chairman of the Unitholders' Advisory Committee of the ING Real Estate Select Global Osiris Fund and also non-executive chairman of the Quoted Investments Advisory Board of ING Real Estate Investment Management UK. Michael was formerly Chief Operating Officer at Skandia UK Limited.

Jonathan Davis - Non-executive director (aged 54) (appointed 1 February 2008)
Jonathan Davis became a non-executive Director of the Company in February 2008. Jonathan, a former senior business journalist on The Times, The Economist and The Independent, is a regular columnist in the Financial Times and founder of Independent Investor LLP, an independent investment publishing business. His published books include Investing with Anthony Bolton (2004). He has degrees in history and management from Cambridge University and MIT, where he wrote a thesis on the methods of Warren Buffett. He is currently Investment Director at Agrifirma Services Ltd, an investment advisory firm.

Executive Directors:

Stephen Lansdown FCA, FSI - Chairman (aged 56)
Stephen Lansdown co-founded Hargreaves Lansdown in 1981. Previously, he qualified as a Chartered Accountant in 1975 and specialised in taxation with Touche Ross & Co. Stephen is also Chairman of Bristol City Football Club. Prior to its acquisition by Euroclear plc, he was a non-executive director of EMX Company Ltd. Stephen is a Fellow of the Securities & Investment Institute.

Peter Hargreaves FCA, MSI - Chief Executive (aged 61)
Peter Hargreaves co-founded Hargreaves Lansdown in 1981. Previously, he qualified as a Chartered Accountant and worked for a predecessor of KPMG, Unisys Group and Whitbread plc. Peter is a non-executive director of ITM Power plc and was recently appointed as non-executive Chairman of ITM Power plc effective from 1 January 2008. Peter is a Member of the Securities & Investment Institute.

Martin Mulligan FCA, FSI - Group Finance Director (aged 37)
Martin Mulligan joined Hargreaves Lansdown in 1996. He joined the board of Hargreaves Lansdown Asset Management in 2000 and the Board in 2001. Prior to joining Hargreaves Lansdown, Martin qualified as a Chartered Accountant. He is a Fellow of the Securities & Investment Institute and has an MBA from the University of Liverpool.

Management Team - continued

Members of the Executive Committee:

Mary Theresa Barry - Group Marketing Director (aged 50)
Theresa Barry graduated with a 2:1 in Politics from the University of Bristol. She joined Hargreaves Lansdown as the first full-time employee in 1982. Theresa has also worked in marketing at Abbey Unit Trust Managers Limited in the City of London.

Nigel Bence - Group Compliance Director (aged 37)
Nigel Bence graduated with a First from Bristol Polytechnic (now the University of the West of England) with a BA Honours Degree in Financial Services. He joined the compliance department of Hargreaves Lansdown in 1992. In 2001, he was appointed to the role of Group Compliance Director.

Andrew Christian - Managing Director, Vantage and Broking Operations (aged 40)
Andrew Christian graduated from Nottingham Polytechnic (now Nottingham Trent University) with a 2:1 in Law. He joined Hargreaves Lansdown in 1991, and worked initially on the investment helpdesk before moving to Hargreaves Lansdown Stockbrokers in 1992. Andrew was appointed director of Hargreaves Lansdown Stockbrokers in 1998. He took over responsibility for all Vantage operations in 2003.

Tracey Taylor FCCA, MSI - Group Accounting Director (aged 36)
Tracey Taylor joined Hargreaves Lansdown in 1999. In 2001, Tracey was appointed to the role of Company Secretary and in 2006 was appointed to the role of Group Accounting Director and to the Executive Committee. Prior to joining Hargreaves Lansdown she qualified as an accountant. Her responsibilities include Group finance, client accounting and the Company Secretarial function. Tracey holds an MSc in Finance and is also a Member of the Securities & Investment Institute (MSI).

Alex Davies – Director of Pensions Hargreaves Lansdown Pensions Direct Ltd (aged 32)
Alex Davies graduated from the University of Kent at Canterbury with a 2:1 in Politics and International Relations. He joined Hargreaves Lansdown in 1999 to help expand Hargreaves Lansdown Pensions Direct. Alex joined the Board of Hargreaves Lansdown Pensions Direct in 2006 and was appointed to the Executive Committee in 2008.

Lee Gardhouse – Investment Director Hargreaves Lansdown Fund Managers Ltd (aged 34)
Lee Gardhouse graduated from Liverpool John Moores University with a BA in Economics. Lee joined Hargreaves Lansdown as a trainee fund manager in 1995. He took responsibility for the Hargreaves Lansdown multi-manager fund range in 2001, and manages the Portfolio Management Service. He was appointed investment director of Hargreaves Lansdown Fund Managers in 2006 and was appointed to the Executive Committee in 2008.

Peter Hargreaves, Stephen Lansdown and Martin Mulligan also joined the Executive Committee during 2008. Adam Norris, formerly a member of the Executive Committee resigned on 13 March 2008.

Directors' Report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 30 June 2008.

Principal Group activities

Hargreaves Lansdown plc is the parent company of a group of companies which offers a range of investment products, investment services, financial planning and advice. Hargreaves Lansdown has established a reputation for providing high quality service and value-for-money products to private investors, whether they are making their own investment decisions or looking for an advisory or discretionary service.

The Group's flagship service, Vantage, is a direct-to-private investor fund supermarket and wrap platform. Vantage offers clients the administrative convenience of being able to hold and manage their investments, including unit trusts, OEICs, equities, bonds, investment trusts and cash, irrespective of the tax vehicle, in one place with consolidated valuation reports, a single dealing service and instant online access.

The Group also provides independent financial advisory and stockbroking services to private investors and advisory services to companies in respect of group pension schemes.

The subsidiary undertakings of the Group during the year are listed in note 16 to the financial statements. The principal trading subsidiaries, Hargreaves Lansdown Asset Management Limited, Hargreaves Lansdown Stockbrokers Limited, Hargreaves Lansdown Fund Managers Limited and Hargreaves Lansdown Pensions Direct Limited, are authorised and regulated by the Financial Services Authority.

Business review

A full review of the Group's business activities and future outlook are set out in the Operating and Financial Review and the Chairman and Chief Executive's report. Principal risks and uncertainties facing the Group are described in the Operating and Financial Review, and financial risk management information is shown in note 35 to the financial statements.

Post balance sheet events

There have been no significant events since the balance sheet date, other than the exercising of 3,446,300 SAYE scheme options as described in note 33 and declaration of the final ordinary and special dividend to be paid on 30 September 2008 as described below and in note 11.

Group results and Company dividends

Operating profit before exceptional items for the year ended 30 June 2008 was £57.8 million (2007: £40.7 million) and £57.8 million after exceptional items (2007: £11.0 million). The Group profit after taxation for the year ended 30 June 2008 was £42.4 million (2007: £17.0 million).

Dividends are shown in note 11 to the financial statements. In addition to the interim dividend of 3.065 pence per share, we have declared a final ordinary dividend of 2.42 pence per share, taking the total ordinary dividends up to 5.485 pence per share. This total dividend payout equates to 60% of post tax profits. We do not intend to accumulate cash going forwards and are therefore pleased to declare a special dividend of 2.324 pence per share. This equates to a further 25% of post tax profits. Any special dividend in future years will depend upon our future cash requirements and therefore may vary.

Capital Structure

The Company's shares are listed on the main market of the London Stock Exchange. The Company's authorised and issued share capital during the year and as at 30 June 2008 are shown in note 22.

The ordinary shares rank pari passu in all respects. Save as agreed at the general meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by Section 89 of the Companies Act.

No unissued share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option. The Trustee of the Employee Benefit Trust (EBT), a subsidiary of the Company, holds Ordinary Shares for the EBT for the exercise of options granted under the employee share schemes.

Restrictions on transfer of shares

The directors of the Company and directors of the subsidiary companies have given undertakings not to offer, sell or contract to sell, pledge or otherwise dispose of ordinary shares (directly or indirectly) which were held on Admission to the main market of the London Stock Exchange and not sold as part of the flotation, other than in certain limited circumstances. The restrictions apply as follows:

(i) Prior to the announcement of the Group's results (whether by way of preliminary announcement or otherwise) (a ''Results Announcement'') for the financial year of the Company ending on 30 June 2008, to all of their Ordinary Shares held immediately following Admission (''Locked-in Shares'');

(ii) Following the Results Announcement for the financial year of the Company ending on 30 June 2008 but prior to the Results Announcement for the financial year of the Company ending on 30 June 2009, to such number of Shares as is equal to 75 per cent. of the total number of Locked-in Shares;

(iii) Following the Results Announcement for the financial year of the Company ending on 30 June 2009 but prior to the Results Announcement for the financial year of the Company ending on 30 June 2010, to such number of Shares as is equal to 50 per cent. of the total number of Locked-in Shares; and

(iv) Following the Results Announcement for the financial year of the Company ending on 30 June 2010 but prior to the Results Announcement for the financial year of the Company ending on 30 June 2011, to such number of Shares as is equal to 25 per cent. of the total number of Locked-in Shares.

The restrictions set out above shall cease to apply in their entirety following the Results Announcement for the financial year of the Company ending on 30 June 2011.

Reporting

Shares in Hargreaves Lansdown plc are listed on the main market of the London Stock Exchange and as such the Company is required to comply with its disclosure requirements.

Retirement and re-election of directors

In accordance with the Company's Articles of Association at each annual general meeting any director who has been in office for more than three years or more since their appointment or last re-appointment must retire 'by rotation'. Those retiring shall also include any director who wishes to retire. A separate resolution to reappoint any director appointed since the last annual general meeting must be proposed.

Jonathan Davis was appointed during the year and offers himself for election at the forthcoming annual general meeting. Martin Mulligan retires by rotation at the next annual general meeting and, being eligible, offers himself for re-election. Biographical details of the directors proposed for election and for re-election are shown on page 17.

Substantial shareholdings

As at 1 September 2008, the Company has not been notified of any shareholdings amounting to more than 3 per cent of the issued share capital of the Company other than the directors' interests which are set out further below and the following shareholding of a former Group director:

Interested party	Date of notification	Number of Shares	Percentage held at date of notification
Adam Norris	29 August 2008	14,744,508	3.11%

Directors

The directors, who served throughout the year except as noted, were as follows:

Non-executive directors:

Jonathan Bloomer (Senior independent non-executive director)
Michael Evans
Jonathan Davis (appointed February 2008)

Executive directors:

Peter Hargreaves (Chief Executive Officer)
Stephen Lansdown (Chairman)
Martin Mulligan (Group Finance Director)

Jonathan Bloomer, Michael Evans and Jonathan Davis are members of the Remuneration Committee, Audit Committee and Nomination Committee. Jonathan Bloomer acts as Chairman of these Committees. Stephen Lansdown was previously a member of these committees until February 2008 when he was replaced by Jonathan Davis.

Directors' Interests

The directors who held office at 30 June 2008 had the following interests (including beneficial interests) in the shares of the Company. Changes in the interests of directors between 30 June 2008 and the date of this report are also shown below:

	Number of Ordinary Shares at the date of this report	Percentage of the issued Ordinary Share Capital at the date of this report	Number of Ordinary Shares at 30 June 2008	Percentage of the issued Ordinary Share Capital at 30 June 2008	Number of Ordinary Shares at 30 June 2007
Non-executive directors					
Jonathan Bloomer	15,625	< 0.01%	15,625	< 0.01%	15,625
Michael Evans	15,625	< 0.01%	15,625	< 0.01%	15,625
Current executive directors					
Peter Hargreaves	152,717,606	32.20%	152,717,606	32.20%	152,717,606
Stephen Lansdown	132,060,843	27.84%	132,060,843	27.84%	132,060,843
Martin Mulligan	2,000,000	0.42%	2,324,885	0.49%	1,824,900
Total	286,809,699	60.46%	287,134,584	60.53%	286,634,599

The above figures are exclusive of any interests under Share Options. Details of Share Options which have been granted to directors as at the date of this report pursuant to employee share schemes are set out in the directors' remuneration report.

During the period covered by this report, no director had any material interest in a contract to which the Company or any of its subsidiary undertakings was a party, requiring disclosure pursuant to section 317 Companies Act 1985 except in respect of the rental of the head office premises at Kendal House as disclosed in note 34 to the financial statements.

Employment policies

Disabled employees

Applications for employment by disabled persons are always given full and fair consideration, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Health and welfare

Hargreaves Lansdown is committed to providing a safe and healthy environment in which its employees can work. Health and Safety consultants were engaged during the previous year to carry out a full review of our health and safety policy and procedures, and have been retained on an ongoing basis to ensure that standards are maintained. As a result, risk assessments have been improved and updated training for employees with health and safety responsibilities is ongoing.

Equality and diversity

Hargreaves Lansdown recognises, respects and values difference and diversity. We are an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of their race, gender, marital status, age, disability, religious belief or sexual orientation. The Group seeks to ensure all employees and applicants to its businesses are given equal opportunity in all aspects of employment to ensure that the Group's businesses attract, retain and promote the best available talent. All the businesses work to embed these principles in all aspects of their management practices and to ensure that this is evident to employees in their day-to-day work.

Employee consultation

Hargreaves Lansdown actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the company's activities and financial performance by such means as the employee intranet and publication to all staff of relevant information and corporate announcements.

Further employment information is provided in the Operating and Financial Review.

Supplier payment policy

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 30 June 2008 were equivalent to 19 (2007 - 23) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Client service

Hargreaves Lansdown aims to ensure that we treat our clients fairly in every aspect of our dealings with them and to provide a first class service at all times.

The fair treatment of our clients is central to our corporate culture and we aim to provide the best information, the best service and the best prices to our clients. We strive to provide clear information to all our clients and keep them appropriately informed at all times whilst they remain a client of Hargreaves Lansdown. We aim to ensure that our services and investment performance meet our clients' expectations. We continually strive to improve our services to ensure they are designed and targeted appropriately and that any advice we provide is suitable for our clients. We will never impose unreasonable barriers to prevent clients from switching their investments or make a complaint.

If clients ever feel the need to complain, our complaints handling team carefully investigate our client's complaint and endeavour to provide them with a fair resolution. We benchmark our performance in treating clients fairly against statistics published annually by the Financial Ombudsman Service for the industry. The results for our last financial year compared against the last figures published by the Ombudsman show that Hargreaves Lansdown is achieving exceptionally good results in treating our clients fairly when they complain.

Special business

The Company was granted authority at the Annual General Meeting in 2007 to purchase its own shares up to an aggregate value of 10% of the issued nominal capital. This authority expires at this year's Annual General Meeting and a special resolution will be proposed for its renewal.

Resolutions are to be proposed as special business at the Annual General Meeting on 21 November 2008 to enable the directors to allot unissued shares and, subject to the limits therein contained, to allot shares for cash other than to existing shareholders in proportion to their shareholdings. The resolution enabling directors to allot unissued shares will be limited to the allotment of shares up to a maximum nominal amount of £202,725.50, which represents the difference between the company's authorised and issued share capital at 24 September 2008. The directors do not have any present intention of exercising such authority and the authority will expire at the conclusion of the next AGM after the passing of the proposed resolution. The resolution enabling the directors to allot shares other than to existing shareholders in proportion to their shareholdings is limited to the allotment of shares up to a maximum nominal value of £94,863.72, which represents 5% of the total ordinary share capital in issue as at 24 September 2008. Both of these resolutions seek authorities which are in accordance with the current guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board,

Tracey Taylor
Company Secretary
24 September 2008

Corporate Governance Statement

In this section of our Annual Report and Accounts, we explain the key elements of the Group's corporate governance structure.

The directors of Hargreaves Lansdown plc are committed to high standards of corporate governance and the Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance that was issued in 2003 by the Financial Reporting Council ('the Code') for which the Board is accountable to shareholders.

Statement of compliance with the Combined Code

During the year ended 30 June 2008, Hargreaves Lansdown plc has applied the principles and complied with the provisions of Section 1 of the Combined Code on Corporate Governance with the following three exceptions:

1. Composition of the Board (complied from 1 February 2008)

Prior to 1 February 2008, the Board had five directors of which two were independent non-executive directors. A rebalancing of the Board took place when Jonathan Davis was appointed as an additional independent non-executive director. Since that date, the Company has met the Code requirement for FTSE 350 companies that at least half the Board, excluding the Chairman, should comprise independent non-executive directors.

2. Constitution of Remuneration and Audit Committee (complied from 1 February 2008)

The Code requires that Audit and Remuneration Committee members should be independent non-executive directors and that they should be in the majority on the Nomination Committee. Prior to 1 February 2008, Stephen Lansdown was a member of these committees. Stephen is an executive director and so is not independent, and it is recognised that this did not meet Code requirements. Upon the appointment of Jonathan Davis to the Board as a third independent non-executive director, he replaced Stephen Lansdown as a member of the Audit, Nomination and Remuneration committees and since that date the Company has met this requirement of the Code.

3. Independence of the Chairman on appointment

The Chairman does not meet the independence criteria set out in the Code since he is an executive director of the Company. However the Directors consider that the composition of the Board is appropriate having regard to the successful development of the Group to date, the size of the Group, the independence and integrity of the Directors and the experience and skills of the Board.

Details of how Hargreaves Lansdown complied with the Code are summarised in this statement.

Statement about applying the principles of the Code

The Company has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below and in the directors' remuneration report and Audit Committee report.

DIRECTORS

Board of directors

As at 30 June 2008, the Board of Hargreaves Lansdown comprised of 3 executive members and 3 independent non-executive directors. All of the directors bring strong judgement to Board deliberations. The Board is of sufficient size and diversity that the balance of skills and experience is considered to be appropriate for the requirements of the business.

The Chairman has primary responsibility for running the Board. The Chief Executive, Peter Hargreaves, has executive responsibilities for the operations, results and strategic development of the Group. Clear divisions of accountability and responsibility exist and operate effectively for these positions.

The Board requires all non-executive directors to be independent in their judgement and free from any business or other relationship that could interfere with the exercise of objective judgement. The non-executive directors do not participate in any of the Group's share option or other incentive schemes.

Biographies for the board of directors, including details of any other significant directorships or appointments, are set out on page 17.

Role of the Board

The Board determines the strategic direction of the Group and reviews operating, financial and risk performance. It is the decision-making body for all other matters deemed material to the Group in strategic, financial and reputational terms. The non-executive directors constructively challenge the management team and supplement the executive directors' management expertise with a diversity of business skills and experience.

The Board and its Committees meet regularly. Formal minutes or reports of each of these meetings are circulated to all directors.

The Board has delegated full authority to the Executive Committee subject to a list of matters which are reserved for decision by the full Board. There is a formal schedule of those matters reserved to the Board, which includes:

- approval of corporate strategies and objectives;
- approval of interim and final financial results and payment of dividends;

- the appointment of directors;
- approval of major capital expenditure;
- approval of annual budgets and medium term plans;
- approval of significant changes in the Group structure and product range.

The Board has delegated the day-to-day management of the Group to the Group Chief Executive, who is supported by the executive directors and senior executives. The Group Chief Executive and executive directors of the Group are responsible to the Board for developing strategy and the profitability and overall performance of the Group.

Board responsibilities

The Board meets a minimum of four times each financial year to discuss matters such as current performance, long term planning, material capital commitments and risk management. During the intervening months, meetings of the Executive Committee are held and minutes from the meetings are circulated to the Board.

All directors may take independent professional advice at the Company's expense in conducting their duties.

For all new directors the Chairman is responsible for preparing and implementing a personalised induction programme including guidance as to their duties, responsibilities and liabilities as a director of the Company. Every director has access to appropriate training as required subsequent to appointment. The need for director training is regularly assessed.

Board committees

There are a number of Committees of the Board to which various matters are delegated. The Committees all have formal Terms of Reference that have been approved by the Board, and performance of the Committees are assessed annually by the Board. Terms of reference of the Audit, Remuneration and Nomination Committee are available on the Group's website (www.H-L.co.uk). Details are set out below:

The Nomination Committee

The Nomination Committee leads the process for Board appointments, re-election and succession of directors and the Chairman. It is responsible for making recommendations to the Board concerning the composition of the Board including proposed appointees to the Board, whether to fill any vacancies that may arise or to change the number of Board members. The Committee is chaired by Jonathan Bloomer and its members at 30 June 2008 were Michael Evans and Jonathan Davis. The Company Secretary may also attend in her capacity as Secretary of the Company. The Nomination Committee meets at least once each year. The Committee met four times during the year.

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. This process will involve the Nomination Committee interviewing suitable candidates who are proposed by either existing Board members or by an external search company. Careful consideration will be given to ensure appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board will be maintained. When the Committee has found a suitable candidate, the Chairman of the Committee will make a proposal to the whole Board and the appointment is the responsibility of the whole Board following recommendation from the Committee.

All directors have to submit themselves for re-election at least every three years if they wish to continue serving and are considered by the Board to be eligible.

Jonathan Davis was recruited as a non-executive director during the year. Jonathan was known previously to the Board, who believe that his skills and experience are a valuable addition to its existing profile. As such, it was not necessary to use an external search consultancy or open advertising for recruitment of a third non-executive director.

Remuneration Committee

The Remuneration Committee is responsible for the framework or broad policy for the fair remuneration of the Executive Directors of the Group as well as their performance management. These will be determined with due regard to the interests of the Company and the Shareholders. It monitors the levels and structure of remuneration for senior management and seeks to ensure that they are designed to attract, retain and motivate the Executive Directors needed to run the Company successfully. The Remuneration Committee meets at least twice during each financial year, and met four times during the current year. The Committee is chaired by Jonathan Bloomer and its other members at 30 June 2008 were Michael Evans and Jonathan Davis. The responsibilities of the Remuneration Committee and an explanation of how it applies the directors' remuneration principles of the Combined Code, are set out in the directors' remuneration report.

Audit Committee

The Audit Committee is responsible for assisting the Board in discharging its responsibilities for financial reporting including the integrity of the annual and interim reports, preliminary results and any other formal announcements relating to financial performance, risk reporting and reviewing the Company's internal corporate control. The Audit Committee's primary responsibilities are to review the financial statements, to review the Group's internal control and risk management systems, to consider the appointment of the external auditors, their independence and reports to the Committee, as well as to review the programme of Internal Audit. The Committee is chaired by Jonathan Bloomer and its other members at 30 June 2008 were Michael Evans and Jonathan Davis. The Audit Committee meets at least three times each year.

The Committee met four times during this financial year. On each occasion the Head of Internal Audit, Group Compliance Director, Group Accounting Director and Group Finance Director were invited to attend. The external auditors attended all of the meetings.

It is a specific responsibility of the Audit Committee to ensure that an appropriate relationship is maintained between the Company and its auditors. The Company has a policy of controlling the provision of non-audit services by the external auditors in order to maintain their independence and ensure that their objectivity and independence are safeguarded. Where non-audit fees are expected to be significant, either individually or cumulatively, the prior approval of the Chairman of the Audit Committee is required. The Committee has scrutinised the internal procedures of Deloitte and satisfied itself that the independence and objectivity of the auditors are not affected by the non-audit work undertaken. The Company has an internal audit function and the relationship between it and the external auditors is routinely assessed at Committee meetings. The Company has developed a whistle blowing arrangement to deal with complaints from employees about any accounting or financial management impropriety or other questionable practices or conduct should they arise.

Executive Committee

The Board has delegated full authority to the Executive Committee subject to a list of matters which are reserved for decision by the full Board. In particular the Executive Committee is responsible to the Chief Executive for developing and monitoring every aspect of the Group businesses on a continuing basis, for developing and implementing business strategy as agreed by the Board and ensuring that day to day operations are conducted in accordance with the relevant regulatory and statutory requirements.

The Executive Committee, established in March 2007, is chaired by Stephen Lansdown following his appointment replacing Theresa Barry as chairman, and Peter Hargreaves in his absence, and also comprises Nigel Bence, Andrew Christian and Tracey Taylor. Lee Gardhouse, Alex Davies, Peter Hargreaves, Stephen Lansdown and Martin Mulligan were also appointed to the Committee during 2008. Adam Norris was a member of the Committee until March 2008. The Executive Committee meets at least quarterly but more frequently when required, and met four times during the current financial year.

Attendance at meetings during the financial year by members of each committee

	Board Meetings *	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Executive Committee meetings
Current directors					
Peter Hargreaves	5 / 5	-	-	-	2 / 2
Stephen Lansdown	5 / 5	2 / 2	2 / 2	2 / 2	2 / 2
Martin Mulligan	4 / 5	-	-	-	2 / 2
Jonathan Bloomer	4 / 5	3 / 4	3 / 4	3 / 4	-
Michael Evans	5 / 5	4 / 4	4 / 4	4 / 4	-
Jonathan Davis	2 / 2	2 / 2	2 / 2	2 / 2	-
Executive Committee					
Theresa Barry	-	-	-	-	4 / 4
Nigel Bence	-	-	-	-	4 / 4
Andrew Christian	-	-	-	-	4 / 4
Adam Norris	-	-	-	-	3 / 3
Tracey Taylor	-	-	-	-	4 / 4
Lee Gardhouse	-	-	-	-	2 / 2
Alex Davies	-	-	-	-	2 / 2

* Where board meetings have been held for a specific purpose to discuss matters at short notice, all board members are sent papers and given the opportunity to comment by telephone or email if they are unable to attend at short notice.

Training

The Group's overall objective is to maintain and enhance professional standards for all its employees. It is particularly necessary to maintain these standards for all staff who fall under the scope of the Financial Services Authority Training and Competence rules. All directors and staff under the scope of these rules are required to perform a certain number of hours of development training during a year. This development training is divided into structured and unstructured time.

New directors are given an induction process, which includes time with several of the senior managers and executives in a number of business areas, demonstrations of systems and visits to the offices

Performance evaluation

Individual appraisal of each director's performance is undertaken either by the Chief Executive or Chairman each year and involves meetings with each director on a one-to one basis. The non-executive directors, led by the senior independent director, carry out an appraisal of the performance of the Chairman.

Other information

Any director has access to the advice and services of the Company Secretary and may seek independent professional advice, if necessary, at the Company's expense. The Company Secretary is responsible to the Board for ensuring Board procedures are followed. Any removal or appointment of the Company Secretary is decided by the Board.

RELATIONS WITH SHAREHOLDERS

Shareholder relations

The Company is committed to maintaining good communications with shareholders and has a programme of communication with shareholders through interim and annual reports, the AGM and the Investor Relations section of the corporate website at www.H-L.co.uk. It is intended that all directors will attend each AGM and shareholders will be given the opportunity to participate by asking questions at the AGM on 21 November 2008. In addition, the Chairman, Chief Executive and Group Finance Director intend to have dialogue with individual institutional shareholders in order to develop an understanding of their views which can be fed back to the Board. General presentations are also given to analysts and investors covering the annual and interim results.

ACCOUNTABILITY AND AUDIT

Going concern

The financial statements are prepared on a going concern basis as the directors are satisfied that, at the time of approving the financial statements, the Group has the resources to continue in business for the foreseeable future.

Internal control and risk management

The Board has overall responsibility for the Company's system of internal control and risk management and for reviewing its effectiveness. The directors are required to establish systems for the control of the conduct of the business and to conduct the business with prudence and integrity. In discharging this responsibility, the Board confirms that it has established the procedures necessary to apply the Code, including clear operating procedures, lines of responsibility and delegated authority. These procedures have been in place since Admission to trading on the main market of the London Stock Exchange and will be regularly reviewed by the Board. Business performance is managed closely and the Board and the Management have established processes, as part of the normal good management of the business, to monitor:

- strategic plan achievement, through a regular review of progress towards strategic objectives;
- financial performance, within a comprehensive financial planning and accounting framework, including forecasting, financial reporting, reviewing variances against plan and taking appropriate management action; and
- risk management processes, which accord with the Turnbull guidance and are supported by reports from the Head of Internal Audit that the significant risks faced by the Company are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity.

The key features of the system of business control and risk assessment established by the Board include:

- a well defined management structure with clear accountabilities and delegations;
- the Group Audit Committee, the Executive Committee, and a system of executive management risk committees, which enhance and support the oversight role of the Board;
- a planning process that delivers detailed annual financial forecasts and targets for Board approval;
- management information systems which enable the Board to receive comprehensive monthly analysis of financial and business performance;
- an Internal Audit function which reports to the Audit Committee on the effectiveness of key internal controls in relation to these major risks;
- a Compliance function to manage relationships with the Group's key regulators and to identify major compliance and regulatory risks;
- a Money Laundering Reporting Officer and anti-money

laundering procedures, and controls including training programmes for all staff;

- a Financial Crime and Risk Management Group, chaired by the Money Laundering Reporting Officer, which considers the potential exposure of the Group to loss through financial crime and the controls in place to mitigate the risk of such loss; and

- a Group Internal Control Policy requiring all senior managers to identify major risks and monitor the effectiveness of internal controls applied throughout the business. The Group's Internal Audit Department carries out reviews of the effectiveness of internal controls operated by each department or business unit as part of the audit of that department or unit.

In addition, the Audit Committee receives reports from the Head of Internal Audit and Risk on the work carried out under the annual internal audit plan, and also reports from the external auditors.

The Board has delegated oversight of the Group's Internal Control Policy to the Audit Committee. The Audit Committee received reports on the current operation of internal controls in relation to key and emerging risks, and the Audit Committee carried out an overall review of the effectiveness of the Group's system of internal control for the year to 30 June 2008 and the period to the date of this report, on behalf of the Board.

The Board has delegated oversight of the Group’s risk management policies and procedures to the Executive Committee. There has been in place for the year under review and up to the date of this report a process of identifying, evaluating and managing the significant risks faced by the Group. A summary of the significant risks is provided within the Operating and Financial Review. This process is regularly reviewed by the Board and accords with the Turnbull Guidance for directors on the Combined Code.

The Board receives minutes and reports from the Chairman of the Audit Committee and the Executive Committee. These identify any significant issues relating to the adequacy of the Group's system of internal control and to the risk management policies and procedures across the full range of risks to which the Group is exposed, and how they are being controlled. The Board, the Executive Committee and the Audit Committee receive reports from the Head of Internal Audit identifying the effectiveness of internal controls together with specific reports on any major issues.

The majority of the activities of the Group, including the systems of business control, are subject to supervision by the Financial Services Authority. The Group is required on a regular basis to submit detailed prudential and statistical returns covering all areas of its business and meets regularly with its supervisors, conducting the relationship in an open and constructive manner.

Through the monitoring processes set out above, the Board has conducted a review of the effectiveness of the system of internal control during the year ended 30 June 2008. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable assurance as to the effectiveness of the safeguards protecting the business against the risk of material error, loss or fraud. In that context, the review, in the opinion of the Board, did not indicate that the system was ineffective or unsatisfactory and the Board is not aware of any change to this status up to the approval of this Annual Report.

Model Code

The Company has its own internal dealing rules which extend the FSA Listing Rules Model Code provisions to all employees.

Audit Committee and auditors

The Audit Committee report on the following pages provides details of the role and activities of the Committee and its relationship with the internal and external auditors.

Stephen Lansdown
Chairman
24 September 2008

Audit Committee Report

Summary of the role of the Audit Committee

The Audit Committee is appointed by the Board. The Audit Committee's terms of reference include all matters indicated by the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meetings, in relation to the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

Composition of the Audit Committee

The members of the Audit Committee are:

Name	Date of appointment	Qualification
Jonathan Bloomer	18 September 2006	Chartered accountant
Michael Evans	1 September 2006	Actuary
Jonathan Davis	1 February 2008	

Membership of the Committee is reviewed by the Chairman of the Committee at regular intervals and any recommendations for new appointments are made to the Nomination Committee for onward recommendation to the Board. Appointments are for a period of three years and are extendable by no more than two additional three year periods. The Committee has comprised of three independent non-executive directors following the appointment of Jonathan Davis as a third non-executive director on 1 February 2008, replacing Stephen Lansdown as a member of the Committee. Two members constitute a quorum.

The Audit Committee structure requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). Currently the Audit Committee Chairman fulfils this requirement. All Audit Committee members are expected to be financially literate.

The Group provides an induction programme for new Audit Committee members and ongoing training to enable all of the Committee members to carry out their duties. The induction programme covers the role of the Audit Committee, its terms of reference and expected time commitment by members; and an overview of the Group's business, including the main business and financial dynamics and risks. New Committee members also meet some of the Group's staff. Ongoing training includes attendance at formal conferences, internal company seminars and briefings by external advisors.

The Board expects the Audit Committee members to have an understanding of:

- the principles of, contents of, and developments in financial reporting including the applicable accounting standards and statements of recommended practice;
- key aspects of the Group's operations including corporate policies, Group financing, products and systems of internal control;
- matters that influence or distort the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of internal and external auditing and risk management;
- the regulatory framework for the Group's businesses; and
- environmental and social responsibility best practices.

Meetings

The Audit Committee is required to meet at least three times per year and has an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his or her fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items.

The Audit Committee invites the Group Chairman, Group Chief Executive, Group Finance Director, Group Accounting Director, Head of Internal Audit, Group Compliance Director and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

Overview of the actions taken by the Audit Committee to discharge its duties

Since 1 July 2007 the Audit Committee has:

- reviewed the financial statements in the 2007 reports and accounts and the interim report issued in January 2008. As part of this review the Committee received a report from the external auditors on their audit of the annual reports and accounts and review of the interim report;
- considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and accounts on this matter;
- reviewed and agreed the scope of the audit work to be undertaken by the auditors;
- considered a report from the external auditors on their review of the effectiveness of controls across the Group and received a report on management action taken in response to work undertaken by the auditors in 2007;
- agreed the fees to be paid to the external auditors for their audit of the 2008 accounts and interim report;
- reviewed its own effectiveness;
- undertaken an evaluation of the performance of the Internal Audit function;
- agreed a programme of work for the Company's Internal Audit function;
- undertaken an evaluation of the performance of the external auditors;
- received reports from the Head of Internal Audit on the work undertaken by Internal Audit and management responses to proposals made in the audit reports issued by the function during the year; and
- received presentations on the Group's treasury and tax functions.

External auditors

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Group Accounting Director. The policy states that the external auditors are jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

The Group's policy on external audit sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Group, subject to de minimis levels and Audit Committee Chairman approval.

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee reviewed:
- the changes in key external audit staff in the external auditors' plan for the current year;
- the arrangements for day to day management of the audit relationship;
- confirmation that no external audit staff are employed by the Group;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- the overall extent of non-audit services provided by the external auditors, in addition to their case by case approval of the position of non-audit services by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- the external auditors' fulfilment of the agreed audit plan and variations from the plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- the content of the external auditor's Internal Control Report.

As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee has recommended to the Board that the external auditors are re-appointed.

Internal Audit function

The Audit Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy of the resourcing and plans of the Internal Audit department. To fulfil these duties, the Committee reviewed:

- Internal Audit's terms of reference, reporting lines and access to the Audit Committee and all members of the Board;
- Internal Audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of resolution;
- the statistics on staff numbers, qualifications and experience and timeliness of reporting; and
- the level and nature of non-audit activity performed by Internal Audit.

The Group's Whistleblowing Policy contains arrangements for the Head of Internal Audit to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

Audit Committee - continued

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Approval

This report was approved by the Audit Committee and signed on its behalf by:

Michael Evans
Member of the Audit Committee
24 September 2008

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Act requires the auditors to report to the Company's members on certain parts of the directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

This report deals with the remuneration policies and the work of the Remuneration Committee in the year ended 30 June 2008.

The Company has established a Remuneration Committee. The Remuneration Committee is responsible for the framework or broad policy for the fair remuneration of the Executive Directors of the Company and its subsidiaries as well as their performance management. These will be determined with due regard to the interests of the Company and the Shareholders. The Committee makes recommendations to the Board. No director plays a part in any discussion about his or her own remuneration. The Remuneration Committee will meet at least twice per year and is governed by formal Terms of Reference. They are reviewed annually and can be viewed at www.H-L.co.uk.

The Remuneration Committee is constituted in accordance with the recommendations of the Combined Code, except for the inclusion of Stephen Lansdown as a member of the Committee prior to 1 February 2008 when he was replaced as a member of the Committee by Jonathan Davis. The members of the Committee from 1 February 2008 to the date of this report were Jonathan Bloomer, Michael Evans and Jonathan Davis who are independent non-executive directors. The Committee is chaired by Jonathan Bloomer. As Stephen Lansdown is the Chairman of the Company and an executive director, the constitution of the Remuneration Committee prior to 1 February 2008 was therefore not strictly in compliance with the principle of the Combined Code which requires that this committee should comprise only independent non-executive directors.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or, except for Stephen Lansdown, any day-to-day involvement in running the business.

In determining the directors' remuneration for the year, the Committee consulted Peter Hargreaves (Chief Executive), Theresa Barry (Group Marketing Director) and Stephen Lansdown (Chairman) about its proposals and they attend meetings at the invitation of the Committee except when their own remuneration is being discussed.

The role of the Committee

The Committee's purpose is to:

- determine and recommend to the Board the remuneration policy for the Chairman, executive directors of the Company and of the subsidiary companies;
- ensure the level and structure of remuneration is designed to attract, retain, and motivate the executive directors needed to run the Company and the Group; and
- monitor the level and structure of remuneration for senior management.

The Committee also ensures that the remuneration relationship between the executive directors and senior executives of the Company below this level is appropriate. In particular, any exceptional remuneration arrangements for senior executives are advised to the Committee.

Directors' contracts

It is the Company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. All executive directors, including Martin Mulligan who is proposed for re-election at the next annual general meeting, currently have contracts which are subject to one year's notice by either party. The Company may at any time exercise its discretion to pay the executives in lieu of the notice period. The details of the directors' contracts are summarised in the table below:

Name of director	Date of contract	Notice period
Executive directors		
P Hargreaves	5 April 2007	12 months
S Lansdown	5 April 2007	12 months
M Mulligan	15 January 2007	12 months

Hargreaves Lansdown recognises that its executive directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden experience and knowledge which can benefit the Company. Subject to approval by the Board, executive directors are allowed to accept non-executive appointments and retain the fees received, provided that these appointments are not likely to lead to conflicts of interest. Peter Hargreaves currently receives fees of £20,000 p.a. in respect of his duties as non-executive chairman of ITM Power plc.

Remuneration policy for the executive directors of the Company and of the subsidiary companies

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to maintain the Group's position as a market leader and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee.

There are five main elements of the remuneration package for executive directors and senior management:

- basic annual salary;
- benefits-in-kind;
- share option incentives;
- pension arrangements and;
- annual bonus payments.

Hargreaves Lansdown has a long-standing policy of rewarding talent and experience. Incentives are provided for delivering high growth and high returns for shareholders. The Committee believes that a significant proportion of total remuneration should be performance-related to closely align the interests of shareholders and executive directors of the Group. As described below, executive directors may earn annual performance-related bonus payments together with the benefits of participation in share option schemes.

In determining the balance between the fixed and variable elements of the executive directors' remuneration packages, the Committee has regard to policy and also market practice. The remuneration strategy for executive directors and other key executives is tailored to emphasise the delivery of strong year-on-year earnings growth as well as sustained performance in the longer term. Performance is rewarded through a combination of cash and longer term share awards as appropriate. This ensures continued emphasis on strong annual performance combined with long-term executive share ownership, and provides a strong link between the incentives received and shareholder value delivered.

Hargreaves Lansdown operates in a highly competitive environment. The success and performance of the business depends on teamwork and the talents of the key team. Hargreaves Lansdown has a loyal, stable and successful management team, and the Group continues to build and retain the management team at senior levels. It believes its incentives should support the continued progress within the existing business, and the creation of new businesses. The Committee has reviewed the current remuneration arrangements in light of these requirements.

Basic annual salary

An executive director's basic salary is reviewed annually by the Committee prior to the beginning of each financial year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers salaries throughout the Group as a whole, survey data and information provided by advisors and up-to-date information on a comparator group of companies in the financial sector.

Salaries were increased during the previous year to bring salaries in line with those of other comparable listed companies. Basic salaries were reviewed in June 2008 with no increases taking effect. Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Benefits-in-kind

The executive directors are entitled to life assurance cover of three times the executive's salary and, subject to the rules of the scheme, permanent health insurance. The executive directors may also receive certain benefits-in-kind, principally car fuel and insurance costs.

Share option incentives

The executive directors of the Company and subsidiary companies may have options granted to them under the terms of the Executive Share Option Scheme. Options under this scheme may be granted to employees and directors of the Company and its subsidiaries as selected by the Remuneration Committee. Under that scheme, options are allocated to qualifying employees and directors by reference to individual past performance and therefore the exercise of options granted under the Executive Scheme are not dependent upon performance criteria.

The executive directors of the Company and subsidiary companies are entitled to participate in the SAYE share option scheme on the same terms as all other employees. They are also entitled to participate in the Share Incentive Plan (SIP) on the same terms as all other employees.

The exercise price of the options granted under the above schemes is equal to the market value of the Company's shares at the time when the options are granted. Benefits received under share incentive schemes are not pensionable.

The Group does not operate any long-term incentive schemes other than the share option schemes described above.

Pension arrangements

No directors or staff participate in a defined benefit pension scheme. On 1st July 2008, the Group replaced its defined contribution personal pension scheme with its own Group Self Invested Personal Pension (the "GSIPP"). The new scheme is non-contributory and allows staff to take more control of their pension planning. The Company contributes 4% of salary to the scheme: bonuses and other benefits are not pensionable. Employees wishing to make personal contributions to the GSIPP can do so via 'salary exchange' ensuring that they benefit from maximum, immediate relief from income tax and National Insurance Contributions (NIC). All staff are eligible to join the scheme on 1 October each year if they have completed six months of service. Peter Hargreaves and Stephen Lansdown do not participate in the GSIPP.

Annual bonus payments

The directors' service contracts provide that the executives may be paid a discretionary bonus for each financial year of the Company, subject to a maximum bonus of 100 per cent of salary in the case of Stephen Lansdown and Peter Hargreaves. The Committee concluded that Theresa Barry (Marketing) should not be subjected to a capped bonus as was indicated at the time the Group was floated. The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders and that the principal measure of those interests is Earnings Per Share. Account is also taken of the relative success of the different parts of the business for which the executive directors are responsible and the extent to which the strategic objectives set by the Board are being met. The Committee does not consider it appropriate to set an upper limit on discretionary awards because of the remuneration practices and culture within the Group, in common with many other financial services companies. Annual bonus payments to executive directors and management are not capped and are not pensionable. Bonuses were paid at a rate of 100% of salary to the executive directors of the Company, and varied between 33% of salary (£50,000) and 333% (£500,000) for the executive directors of the subsidiary companies.

Performance graph

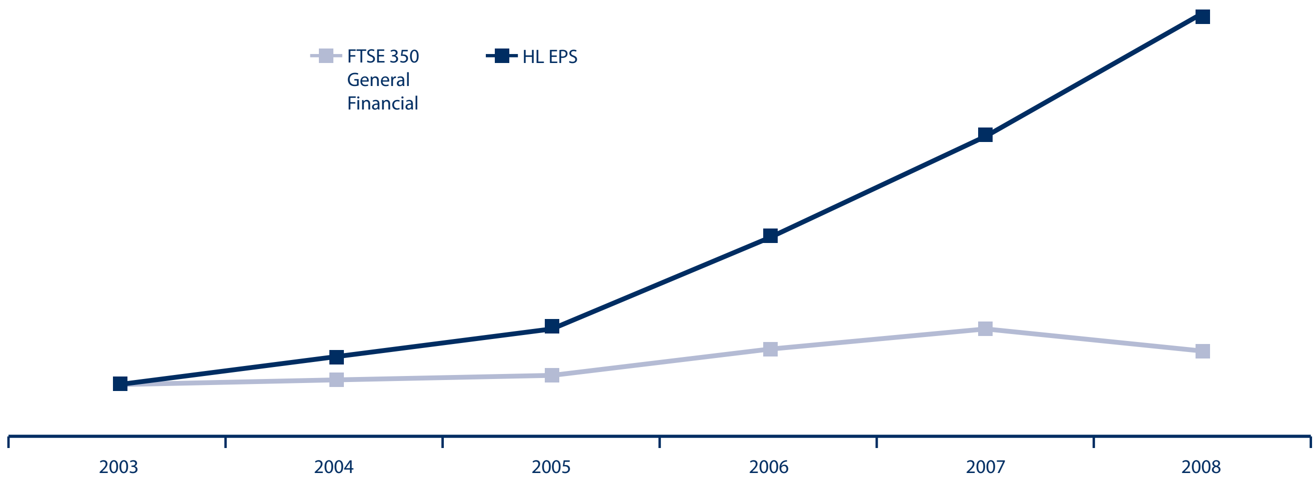
The following graph shows the Company's performance, measured by Total Shareholder Return (TSR) i.e capital growth and dividends paid, compared with the performance of the FTSE 350 General Financial Index during the period since flotation.

Total Shareholder Return

Directors' Remuneration Report - continued

As the Company was not listed on a stock exchange prior to May 2007, a comparison of TSR prior to 15 May 2007 has not been possible due to the absence of a quoted share price. The Company's performance measured using underlying adjusted earnings per share (EPS) has also been compared against the performance of the FTSE 350 General Financial Index.

Growth in EPS



Non-executive directors

All non-executive directors have specific terms of engagement, which are available for inspection, and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. Each non-executive director is a member of the Remuneration Committee, Nomination Committee and Audit Committees, and the basic fee of £30,000 to £35,000 p.a. paid (depending on experience) includes a fee for membership of each committee. Additional fees of £15,000 p.a. are paid to Jonathan Bloomer for chairmanship of the three committees. Non-executive directors cannot participate in any of the Company's share option schemes and are not eligible to join the Company's pension scheme.

Appointments are for a fixed term of three years from the commencement date unless terminated by either party on three months' written notice or by the Company at any time with immediate effect on payment in lieu of notice. Non-executive directors are entitled to reimbursement of all reasonable and properly documented travel, hotel and other incidental expenses incurred in the performance of their duties and the Company maintains appropriate directors' and officers' liability insurance for their benefit.

Audited information

The following information is provided in respect of directors who served during the year ended 30 June 2008:

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2008 £'000	2007 £'000
Pension contributions	218	2
Emoluments	1,613	20,830
Gains on exercise of share options	2,540	75
Share-based payments	2	32
	4,373	20,939

Directors' Remuneration Report - continued

Directors' pension contributions

1 director was a member of a money purchase scheme during 2008 and 2007. Contributions paid by the Company were:

Name of director	2008 £	£2007 £
Executive directors		
M J Mulligan*	218,320	2,000

* The Company pension contribution includes £190,000 of bonus sacrifice and the associated £24,320 employer's national insurance saving paid as pension contribution.

Directors' emoluments

Name of director	Fees / Basic salary £	Benefits in kind £	Performance bonuses £	2008 Total[3] £	2007 Total[2] £
Executive directors					
P K Hargreaves	350,000	46,594	350,000	746,594	10,176,646
S P Lansdown	275,000	9,045	275,000	559,045	10,059,840
M J Mulligan[1]	200,000	-	10,000	210,000	525,000
	825,000	55,639	635,000	1,515,639	20,761,486
Non-executive directors					
J Bloomer	50,000	-	-	50,000	39,511
M Evans	35,000	-	-	35,000	29,167
J Davis	12,500	-	-	12,500	-
	97,500	-	-	97,500	68,678
Aggregate emoluments	922,500	55,639	635,000	1,613,139	20,830,164

[1] The total bonus awarded to M Mulligan in 2008 was £200,000; £190,000 was sacrificed and paid instead as additional company pension contributions together with an additional pension contribution of £24,320 in respect of employer national insurance savings as shown above.

[2] During March 2007 the Remuneration Committee agreed a remuneration policy for all directors of the Group. The amount by which directors' emoluments paid in the periods prior to floatation has exceeded the maximum amounts which could be payable in future periods under this policy has been noted as an exceptional item in the financial statements as it is not expected to recur in future periods. 2007 emoluments shown in the above table include £19,375,000 of exceptional emoluments.

[3] Excludes bonus sacrifice amounts which are shown as an employer's pension contribution in the previous table.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors. During the year, the following executive directors acquired Ordinary Shares in the Company from the EBT pursuant to Share Options under the Executive Option Scheme (Unapproved), and the all-employee SAYE scheme on the following terms:

Name of director	Number of Ordinary Shares acquired	Exercise Price	Date of exercise	Closing market price at exercise date	Gains on exercise 2008 £	Gains on exercise 2007 £
Martin Mulligan	1,375,000	£0.55	7 September 2007	£2.10	2,137,500	-
	275,000	£0.64	7 September 2007	£2.10	402,500	-
	36,300	£0.04	29 June 2007	£2.10	-	74,729
					2,540,000	74,729

The interests of the directors who served during the year in options to acquire shares in Hargreaves Lansdown plc are as follows:

Name of director	Type of scheme	At 1 July 2007	Exercised	At 30 June 2008	Exercise Price	Expiration Date	Date from which exercisable
Martin Mulligan	Option Scheme	1,375,000	1,375,000	-	£0.55	Feb 2016	Feb 2006
	Option Scheme	275,000	275,000	-	£0.64	Jul 2016	Jul 2006
	SAYE	17,325	-	17,325	£0.04	Mar 2009	Sept 2008
	SAYE	26,400	-	26,400	£0.55	Nov 2012	May 2012

All of the executive directors of the Group, with the exception of Peter Hargreaves and Stephen Lansdown, were each awarded 12,650 Ordinary Shares on 8 November 2006 under the terms of the HMRC approved Share Incentive Plan (SIP). At the award date the HMRC approved market value was £0.24 per share. These shares are subject to a three year retention period and are held by the trustee of the SIP, Hargreaves Lansdown Trustee Company Limited. The figures shown above are exclusive of such awards. Options granted under the share option and share incentive schemes are not subject to performance criteria.

The closing market price of the ordinary 0.4 pence shares at 30 June 2008 was £1.48 and the range during the year to 30 June 2008 was £1.345 to £2.39.

Approval

This report was approved by the Board of directors on 24 September 2008 and signed on its behalf by:

Michael Evans
Member of the Remuneration Committee
24 September 2008

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

2. the management report, which is incorporated into the directors' report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principle risks and uncertainties they face.

By order of the Board

Stephen Lansdown
Chairman
24 September 2008

Martin Mulligan
Group Finance Director
24 September 2008

Independent auditors' report to the members of Hargreaves Lansdown plc

We have audited the Consolidated and Parent Company financial statements (the ''financial statements'') of Hargreaves Lansdown plc for the year ended 30 June 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Recognised Income and Expense, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, and the related notes 1 to 35. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 June 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRS

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.
In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 30 June 2008 and of its profit for the year then ended.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom
24 September 2008

Consolidated Income Statement

	Note	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Revenue	4	120,332	98,769
Total operating income		120,332	98,769
Administrative expenses	6	(62,553)	(58,098)
Exceptional administrative expenses	6	-	(29,628)
Total administrative expenses		(62,553)	(87,726)
Operating profit		57,779	11,043
Analysed as:			
Operating profit before exceptional administrative expenses		57,779	40,671
Exceptional administrative expenses	6	-	(29,628)
Operating profit		57,779	11,043
Investment revenue	8	3,113	1,430
Other gains and losses	9	53	11,917
Profit before tax		60,945	24,390
Tax	10	(18,551)	(7,435)
Profit for the year	6	42,394	16,955
Attributable to:			
Equity holders of the Company		42,401	16,955
Minority interest		(7)	-
		42,394	16,955
Dividend per share (pence)	11		
Interim dividend		3.06	3.00
Final dividend **		-	-
Total dividend per share		3.06	3.00
Earnings per share			
Basic earnings per share * (pence)	12	9.1	3.6
Diluted earnings per share * (pence)	12	9.0	3.6

All income, profits and earnings are in respect of continuing operations.
* The directors consider that the underlying earnings per share figures as shown in note 12 represent a more consistent measure of underlying performance as this measure excludes the impact of exceptional items.
** After the balance sheet date, the directors declared a final dividend of 2.42 pence per share and a special dividend of 2.324 pence per share payable on 30 September 2008 to shareholders on the register on 5 September 2008.

Consolidated Statement of Recognised Income and Expense

	Group		Company	
	Year ended 30 June 2008	Year ended 30 June 2007 (as restated - see note 27)	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000	£'000	£'000
Profit for the financial year	42,394	16,955	37,755	3,100
Increase in fair value of available-for-sale investments, net of tax	-	1,202	-	68
Gain on disposal of available-for-sale investments transferred to income statement, net of tax	-	(8,351)	-	(1,461)
Net expense recognised directly in equity	-	(7,149)	-	(1,393)
Total recognised income and expense for the financial year	42,394	9,806	37,755	1,707

Consolidated and Company Balance Sheets

		Group		Company	
		At 30 June 2008	At 30 June 2007	At 30 June 2008	At 30 June 2007
	Note	£'000	£'000	£'000	£'000
Non-current assets					
Goodwill	13	1,333	1,333	-	-
Other intangible assets	14	291	81	-	-
Property, plant and equipment	15	2,142	2,249	176	338
Investments	17	-	-	2,152	2,152
Deferred tax assets	19	3,353	4,978	53	440
		7,119	8,641	2,381	2,930
Current assets					
Trade and other receivables	18	76,602	51,533	323	741
Cash and cash equivalents	18	68,241	48,092	28,674	103
Investments	17	1,142	1,169	478	478
Current tax assets		25	-	32	2,725
		146,010	100,794	29,507	4,047
Total assets		153,129	109,435	31,888	6,977
Current liabilities					
Trade and other payables	20	72,108	63,976	4,202	2,882
Current tax liabilities		10,266	154	-	-
		82,374	64,130	4,202	2,882
Net current assets		63,636	36,664	25,305	1,165
Non-current liabilities					
Trade and other payables	20	-	281	-	-
Provisions	21	444	529	-	-
		444	810	-	-
Total liabilities		82,818	64,940	4,202	2,882
Net assets		70,311	44,495	27,686	4,095
Equity					
Share capital	22	1,897	1,897	1,897	1,897
Share premium account	23	8	8	8	8
Investment revaluation reserve	24	-	-	-	-
Capital redemption reserve	25	12	12	12	12
Shares held by Employee Benefit Trust reserve	26	(9,739)	(7,552)	-	-
EBT reserve	27	12,053	12,030	-	-
Share option reserve	28	6,885	7,082	-	-
Retained earnings	29	59,255	31,018	25,769	2,178
Total equity, attributable to equity shareholders of the parent		70,371	44,495	27,686	4,095
Minority interest		(60)	-	-	-
Total equity		70,311	44,495	27,686	4,095

The financial statements were approved by the Board of directors on 24 September 2008 and signed on its behalf by:

Stephen Lansdown, Chairman - 24 September 2008

Martin Mulligan, Group Finance Director - 24 September 2008

Statement of Cash Flows

	Note	Group Year ended 30 June 2008 £'000	Group Year ended 30 June 2007 (as restated - see note 27) £'000	Company Year ended 30 June 2008 £'000	Company Year ended 30 June 2007 £'000
Net cash from operating activities, after tax	30	34,670	7,741	3,993	7,248
Investing activities					
Interest received		3,004	1,228	440	60
Dividends received from investments		109	202	38,300	7,575
Proceeds on disposal of available-for-sale investments		27	14,281	-	4,820
Purchases of property, plant and equipment		(950)	(1,437)	2	(2)
Purchase of intangible fixed assets		(381)	(53)	-	-
Acquisition of investments		-	(212)	-	-
Net cash from investing activities		1,809	14,009	38,742	12,453
Financing activities					
Purchases of own shares		(3,101)	-	-	-
Proceeds on sale of own shares		935	25,645	-	-
Receipts from repayment of loan		-	250	-	-
Dividends paid		(14,164)	(13,298)	(14,164)	(13,298)
Net cash (used in) / from financing activities		(16,330)	12,597	(14,164)	(13,298)
Net increase / (decrease) in cash and cash equivalents		20,149	34,347	28,571	6,403
Cash and cash equivalents at beginning of year		48,092	13,745	103	(6,300)
Cash and cash equivalents at end of year		68,241	48,092	28,674	103

Notes to the Financial Statements

1. General information

Hargreaves Lansdown plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act 1985 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is Kendal House, 4 Brighton Mews, Clifton, Bristol, BS8 2NX, United Kingdom. The nature of the Group's operations and its principal activities are set out in the Operating and Financial Review.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

Basis of preparation

The consolidated financial statements of Hargreaves Lansdown plc have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as endorsed by the European Union. The Company's financial statements have been prepared on the same basis and as permitted by Section 230(3) of the Companies Act 1985, no income statement is presented for the Company. The Company's profit after tax for the year was £37,755,000 (2007: £3,100,000).

IFRS 7 Financial Instruments: Disclosures became effective for accounting periods commencing on or after 1 January 2007. The Group has adopted IFRS 7 accordingly. The accounting policy amendment affects disclosures only and has no material impact on the current or preceding periods' financial position and performance. The required disclosures of the Group's financial instruments and the risks arising from those financial instruments are disclosed in note 35.

At the date of the authorisation of the financial statements the following standards and interpretations, which have not been applied in the financial statements, were in issue but not yet effective:

IFRS 8	Operating segments
IAS 1	Amendment to IAS 1 - Presentation of Financial Statements
IFRIC 10	Interim financial reporting and impairment
IFRIC 11	Group and treasury share transactions
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	The limit on a Defined Benefit Asset, minimum funding requirement and their interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a net investment in a foreign operation
IAS 23	Amendment to IAS 23 Borrowing Cost
IAS 27	Amendment - Consolidated and Separate Financial Statements
IFRS 3	Amendment - Business Combinations
IFRS 2	Share-based payment - Amendment relating to vesting conditions and cancellations

The directors anticipate that the adoption of these Standards, Amendments and Interpretations in future periods will have no material impact on the financial statements when the relevant standards and interpretations come into effect, apart from additional disclosures.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

2. Significant accounting policies

Accounting policies as shown below have been consistently applied throughout the years.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June 2008. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. Significant accounting policies (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Any gains or losses on sale of the Company's own shares held by the Hargreaves Lansdown Employee Benefit Trust ("EBT") are credited directly to the EBT reserve and are treated as undistributable profits.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS on 1 July 2005 has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 30 June 1997 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Fund based commissions are recognised on an accruals basis calculated according to the level of assets under the administration, or agency, of the Group. Initial commissions are deemed to be earned at the policy inception date, except in the case of the Group's stockbroking and unit trust management subsidiary undertakings where all income earned on securities transactions entered into on behalf of clients are recorded in the accounts on the date of the transaction.

Where commission is received on an indemnity basis, a provision is made for clawbacks which would be due if the policy lapses during the indemnity period.

Interest income is accrued on a time basis, using the effective interest rate method.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Operating profit

Operating profit is stated before investment revenue and finance costs.

Retirement benefit costs

The Group operates a group self invested personal pension plan for staff. Payments to the defined contribution retirement benefit scheme are charged as an expense as they fall due.

Bonuses payable to employees

The Group recognises a liability and an expense for staff bonuses where contractually obliged or where there is a past practice.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

2. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment to all grants of equity instruments after 7 November 2002 that were unvested at 1 July 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore in the absence of a readily available market price for the shares, the share price was based on the market value agreed with H M Revenue and Customs and share price volatility was estimated as the average of the volatility applying to a comparable group of listed companies.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments.

Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided, where material, on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life as follows:

Fixtures, fittings, plant and equipment:	
Leasehold property tenants' fixtures	*over the life of the lease*
Office equipment	*over 10 years*
Computer equipment and software	*over 3 to 4 years*
Motor vehicles	*over 4 years*

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

2. Significant accounting policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Intangible assets excluding goodwill

Other intangible assets comprise computer software which is stated at cost less amortisation and any recognised impairment loss. Amortisation is provided, where material, on all intangible fixed assets excluding goodwill at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life as follows:

Computer software	*over 3 to 4 years*

The carrying values of computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Website development design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset, which delivers benefits at least as great as the amount capitalised.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Dividend recognition

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid, or if earlier, in the accounting period when the dividend is approved by the Company's shareholders at the Annual General Meeting.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as debtors.

Investments
Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

The Group's available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve, as shown in note 24, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost where the directors believe that cost is not materially different to fair value, with a fair value adjustment recognised upon disposal of the investment.

Investments which are designated as being held at fair value through profit or loss are carried at fair value, being the quoted market price of the listed investment, with any gain or loss reported within the income statement. An investment is classified in this category if it is held principally for the purpose of selling in the short term.

2. Significant accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Included within cash balances are amounts held on client settlement accounts as shown in note 18.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables
Trade payables are measured at fair value. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as creditors.

Share based payments
Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore no readily available market price existed for the shares. The share price of share option awards granted prior to 15 May 2007 were based on the latest market value agreed with H M Revenue and Customs using an earnings multiples approach based on comparable quoted companies. Share price volatility was estimated as the average of the volatility experienced by a comparable group of quoted companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Company has been required to make various valuation assumptions in order to account for share based payments. These are explained fully in note 32. Since 15 May 2007, a quoted market price has been available for the Company's shares.

3. Key sources of judgements and estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

Indemnity provision
The indemnity provision represents management's best estimate of the Group's liability to policy lapses resulting in indemnity commission claw-backs. The calculation is based on the volume of indemnified commission and on past experience of policy cancellation.

Staff costs
Included in staff costs is an estimate of the future liability for bonuses and other employee incentive schemes which have been earned but not paid.

4. Revenue

Revenue represents commission receivable from financial services provided to clients, interest on settlement accounts and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax. An analysis of the Group's revenue is as follows:

	Year ended 30 June 2008	Year ended 30 June 2007
Revenue from services:	£'000	£'000
Fees and commission income	102,277	87,509
Interest and similar income	16,710	8,832
Subscriptions and sundry charges	1,345	2,428
Total operating income	120,332	98,769

5. Business and geographical segments

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Group is currently organised into different operating divisions, however the nature of the services provided, the regulatory environment, the customer base and distribution channels for each division are the same so that for the purposes of IAS14 Segment Reporting, the consolidated entity operates in one business segment. The principal activity of the Group is the provision of investment management services. As the Group only operates in one business segment, no additional business segmental analysis has been shown.

All business activities are located within the UK and therefore the Group operates in a single geographical segment.

6. Profit for the year

	Year ended 30 June 2008	Year ended 30 June 2007
Profit for the year has been arrived at after charging:	£'000	£'000
Depreciation of owned plant and equipment	1,058	891
Amortisation of other intangible assets	171	69
Impairment of goodwill	-	-
Operating lease rentals payable - property	810	673
Staff costs (see note 7)	36,518	61,523

Exceptional items

	Year ended 30 June 2008	Year ended 30 June 2007
Exceptional administrative expenses comprise:	£'000	£'000
- Additional directors' remuneration	-	27,016
- Flotation costs	-	2,612

Exceptional items arose in the previous financial year. These relate to significant items that fall within the activities of the Group which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Additional directors' remuneration 2007

On 5 April 2007, bonuses totalling £23.95 million (total cost £27,016,000 including national insurance) were awarded to certain executive directors of the Company and its subsidiaries.

Flotation costs 2007

Costs relating to the Company's Admission to the London Stock Exchange comprise legal and professional fees of £2,612,000.

6. Profit for the year (continued)

Auditors' remuneration

	Year ended 30 June 2008	Year ended 30 June 2007
The analysis of auditors' remuneration is as follows:	£'000	£'000
Audit fees: fees payable for the audit of the Company's annual accounts	6	6
Audit fees: fees payable for the audit of the Company's subsidiaries pursuant to legislation	78	59
Audit fees: fees payable for the audit of the Company's half yearly financial report	10	-
Fees payable to the Company's auditors and their associates for other services to the Group:		
Tax advisory services	11	50
Corporate finance services	-	408
Other advisory services related to flotation, including interim non statutory audit	-	51
Total non-audit fees	11	509

7. Staff costs

	Year ended 30 June 2008	Year ended 30 June 2007
The average number of employees of the Group (including executive directors) was:	No.	No.
Operating and support functions	479	456
Administrative functions	178	165
	657	621
Of which the following number were employed by the parent company:		
Administrative functions	3	3

	Year ended 30 June 2008	Year ended 30 June 2007
Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	31,802	54,331
Social security costs	3,651	6,466
Share based payments expense	205	508
Other pension costs	860	218
	36,518	61,523

The Group aims to attract, motivate and retain high calibre employees by rewarding them with competitive salary and benefit packages, which may be linked to the creation of long-term shareholder value. Salary ranges are established by reference to those prevailing in the employment market generally for employees of comparable status, responsibility and skills. All employees are eligible to be considered for an annual discretionary bonus. In addition to cash bonuses, the Group operates various share based remuneration schemes as described in note 32.

8. Investment revenue

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Interest on bank deposits	3,004	1,228
Dividends from equity investment	109	202
	3,113	1,430

9. Other gains and losses

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Profit on part disposal of subsidiary undertaking	53	-
Gain on disposal of investments	-	11,917
	53	11,917

10. Tax

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Current tax	18,146	8,241
Deferred tax (note 19)	405	(806)
	18,551	7,435

Corporation tax is calculated at 30% of the estimated assessable profit for the period to 31 March 2008 and 28% from 1 April to 30 June 2008.

In addition to the amount charged to the income statement, certain tax amounts have been charged directly to equity as follows:

	£'000	£'000
Deferred tax relating to share based payments (note 28)	1,220	(3,352)
Deferred tax on revaluation of the Group's available-for-sale investments (note 24)	-	684
Current tax relief on exercise of share options (note 28)	(818)	(2,308)
Current tax on gain on disposal of shares held by EBT (note 27)	-	1,293
	402	(3,683)

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will trend to a rate approximating to the standard UK corporation tax rate (28% from 1 April 2008) in the medium term.   A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2008.

10. Tax (continued)

Factors affecting future tax charge
The reduction in corporation tax rates from 30% to 28% from 1 April 2008 has been included in these financial statements.

Any increase or decrease to the Company's share price will impact the amount of tax deduction available in future years on the value of shares acquired by staff under share incentive schemes.

	Year ended 30 June 2008	Year ended 30 June 2007
The charge for the year can be reconciled to the profit per the income statement as follows	£'000	£'000
Profit before tax from continuing operations	60,945	24,390
Tax	18,030	7,317
- at the UK corporation tax rate of	30%, reducing to 28% from 1 April	30%
Disallowed / (non-taxable) items	157	(672)
Disallowed flotation costs	-	784
Effect of adjustments relating to prior years	323	110
Utilisation of small company rate and rate applicable to trusts	78	2
Impact of change in tax rate	(5)	(61)
Dividend income not subject to tax	(32)	(45)
Tax expense for the year	18,551	7,435
Effective tax rate	30%	30%

11. Dividends

	Year ended 30 June 2008	Year ended 30 June 2007
Amounts recognised as distributions to equity holders in the period:	£'000	£'000
First interim dividend of 3.065p (2007: 3.00p) per share	14,164	13,298

After the balance sheet date, the directors declared a final dividend of 2.42 pence per share and a special dividend of 2.324 pence per share payable on 30 September 2008 to shareholders on the register on 5 September 2008. Dividends are required to be recognised in the financial statements when paid, and accordingly the proposed dividends amounts are not recognised in these financial statements, but will be included in the 2009 financial statements as follows:

Final dividend proposed of 2.42p (2007: nil) per share	11,207	-
Special dividend proposed of 2.324p (2007: nil) per share	10,762	-

Under an arrangement dated 30 June 1997 the Hargreaves Lansdown Employee Benefit Trust, which held the following number of ordinary shares in Hargreaves Lansdown plc at the date shown, has agreed to waive all dividends.

11. Dividends (continued)

	Year ended 30 June 2008	Year ended 30 June 2007
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	13,818,359	14,038,685
Representing % of called-up share capital	2.91%	2.96%

12. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, including ordinary shares held in the EBT reserve which have vested unconditionally with employees.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Underlying basic earnings per share and underlying diluted earnings per share are calculated as for basic and diluted earnings per share, but using an adjusted earnings figure such that the profit attributable to equity holders of the Company is stated before exceptional expenses and other gains and losses. The directors consider that the underlying earnings per share represent a more consistent measure of underlying performance.

	Year ended 30 June 2008	Year ended 30 June 2007
Earnings (all from continuing operations)	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	42,394	16,955
Exceptional administrative expenses	-	29,628
Other gains and losses	(53)	(11,917)
Tax on exceptional administrative expenses and other gains and losses	-	(4,539)
Earnings for the purposes of underlying basic and underlying diluted earnings per share	42,341	30,127
Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share	470,980,973	474,318,625
Weighted average number of shares held by HL EBT which have not vested unconditionally with employees	6,885,487	9,721,460
Weighted average number of ordinary shares for the purposes of basic earnings per share	464,095,486	464,597,165
Earnings per share	Pence	Pence
Basic earnings per share	9.1	3.6
Diluted earnings per share	9.0	3.6
Underlying basic earnings per share	9.1	6.5
Underlying diluted earnings per share	9.0	6.4

13. Goodwill - Group

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Cost		
At beginning and end of year	1,450	1,450
Accumulated impairment losses		
At beginning and end of year	117	117
Carrying amount		
At end of year	1,333	1,333

The net carrying value of goodwill relates entirely to the acquisition of Hargreaves Lansdown Pensions Direct Limited. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. The Group prepares cash flow forecasts derived from the most recent financial budgets covering the period to 30 June 2010 approved by management extrapolated based on an estimated long term industry growth rate of 3%. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this subsidiary. The pre-tax rate used to discount the forecast cash flows is 9.8%.

14. Other intangible assets - Group

	Computer Software
	£'000
Cost	
At 1 July 2006	1,317
Additions	53
At 1 July 2007	1,370
Additions	381
At 30 June 2008	1,751
Amortisation	
At 1 July 2006	1,220
Charge	69
At 1 July 2007	1,289
Charge	171
At 30 June 2008	1,460
Carrying amount	
At 1 July 2007	81
At 30 June 2008	291

15. Property, plant and equipment – Group

	Motor Vehicles	Fixtures, fittings, plant & equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 July 2006	51	3,779	3,830
Additions	-	1,431	1,431
Disposals	(27)	-	(27)
At 1 July 2007	24	5,210	5,234
Additions	31	933	964
Disposals	(24)	-	(24)
At 30 June 2008	31	6,143	6,174
Accumulated depreciation and impairment			
At 1 July 2006	20	2,091	2,111
Charge	8	883	891
Disposals	(17)	-	(17)
At 1 July 2007	11	2,974	2,985
Charge	8	1,050	1,058
Disposals	(11)	-	(11)
At 30 June 2008	8	4,024	4,032
Carrying amount			
At 1 July 2007	13	2,236	2,249
At 30 June 2008	23	2,119	2,142

15. Property, plant and equipment – Company

	Fixtures, fittings, plant & equipment
	£'000
Cost or valuation	
At 1 July 2006	1,380
Additions	2
At 1 July 2007	1,382
Additions	(2)
At 30 June 2008	1,380

15. Property, plant and equipment – Company (continued)

	Fixtures, fittings, plant & equipment
	£'000
Accumulated depreciation and impairment	
At 1 July 2006	869
Charge	175
At 1 July 2007	1,044
Charge	160
At 30 June 2008	1,204
Carrying amount	
At 1 July 2007	338
At 30 June 2008	176

16. Subsidiaries

A list of the significant investments in subsidiaries, all of which are incorporated in the UK, is shown below.

Name of company	Shares held	Nature of business
Hargreaves Lansdown Asset Management Ltd	100%	Unit trust and equity broking, investment fund management, life and pensions consultancy
Hargreaves Lansdown Stockbrokers Ltd	100%	Stockbroking
Hargreaves Lansdown Fund Managers Ltd	100%	Unit Trust Management
Hargreaves Lansdown Pensions Direct Ltd	100%	Pension broking
Hargreaves Lansdown Nominees Ltd	100%	Nominee services
Hargreaves Lansdown Pensions Trustees Ltd	100%	Trustee of the Vantage SIPP
Library Information Services Ltd	85%	Data provider
Hargreaves Lansdown EBT Trustees Ltd	100%	Trustee of the Employee Benefit Trust
Hargreaves Lansdown Trustee Company Ltd	100%	Trustee of the Share Incentive Plan

17. Investments - Group

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
At beginning of year	1,169	13,352
Revaluation surplus transfer to equity (note 24)	-	1,886
Net increase in the value of short term investments	-	212
Disposals	(27)	(14,281)
At end of year	1,142	1,169
Current asset investments	1,142	1,169

17. Investments - Group (continued)

Current asset investments include the following:	At 30 June 2008 £'000	At 30 June 2007 £'000
UK listed securities valued at quoted market price	401	428
Unlisted securities valued at cost	741	741
	1,142	1,169

£401,000 (2007: £428,000) of investments are classified as held at fair value through profit and loss and £741,000 (2007: £741,000) are classified as available-for-sale. Available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve as shown in note 24, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost where the directors believe that this is not significantly different to fair value, with a fair value adjustment recognised upon disposal of the investment.

17. Investments – Company

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
At beginning of period	2,630	6,801
Revaluation surplus transfer to equity (note 24)	-	85
Disposals	-	(4,256)
At end of year	2,630	2,630
Non - current asset investments	2,152	2,152
Current asset investments	478	478
	2,630	2,630

Investments include the following:	At 30 June 2008 £'000	At 30 June 2007 £'000
Unlisted securities valued at cost	478	478
Non current assets - investments in subsidiaries valued at cost less impairment	2,152	2,152
	2,630	2,630

£478,000 (2007: £478,000) of investments are classified as available-for-sale. Available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve as shown in note 24, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost where the directors believe that this is not significantly different to fair value, with a fair value adjustment recognised upon disposal of the investment.

18. Other financial assets

	Group		Company	
	At 30 June 2008	At 30 June 2007	At 30 June 2008	At 30 June 2007
Trade and other receivables	£'000	£'000	£'000	£'000
Amounts receivable from subsidiaries and EBT	-	-	16	488
Trade receivables	63,620	45,153	-	-
Other receivables	371	368	-	-
Prepayments	12,611	6,012	307	253
	76,602	51,533	323	741

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in debtors. Trade receivables include £55.4 million (2007: £36.3 million) of counterparty balances.

	Group		Company	
	At 30 June 2008	At 30 June 2007	At 30 June 2008	At 30 June 2007
Cash and cash equivalents	£'000	£'000	£'000	£'000
Cash and cash equivalents	68,241	48,092	28,674	103
Comprising:				
Restricted cash - client settlement account balances	3,776	15,163	-	-
Restricted cash - balances held by EBT	10,934	12,370	-	-
Group cash and cash equivalent balances	53,531	20,559	28,674	103

Cash and cash equivalents comprise cash held by the Group and institutional cash funds with near-instant access. Included in cash and cash equivalents are amounts of cash held on client settlement accounts as shown above.

19. Deferred tax

Deferred tax assets have not been offset with deferred tax liabilities due to the expectation that the balances will reverse in different accounting years, hence the deferred tax provision is reported separately as shown below:

	Group		Company	
	At 30 June 2008	At 30 June 2007	At 30 June 2008	At 30 June 2007
	£'000	£'000	£'000	£'000
Deferred tax assets	3,353	4,978	53	440
Deferred tax asset	3,353	4,978	53	440

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting years.

19. Deferred tax (continued)

Group	Accelerated tax depreciation £'000	Revaluation of available-for-sale investments £'000	Share based payments £'000	Other deductible temporary differences £'000	Total £'000
At 1 July 2006	159	(2,882)	439	222	(2,062)
Recycled from equity to income	-	3,566	-	-	3,566
Credit to income	351	-	330	125	806
Credit / (charge) to equity	-	(684)	3,352	-	2,668
At 30 June 2007	510	-	4,121	347	4,978
Charge to income	(156)	-	(151)	(98)	(405)
Charge to equity	-	-	(1,220)	-	(1,220)
At 30 June 2008	354	-	2,750	249	3,353
Company	£'000	£'000	£'000	£'000	£'000
At 1 July 2006	30	(414)	-	-	(384)
Recycled from equity to income	-	431	-	-	431
Credit to income	410	-	-	-	410
Charge to equity	-	(17)	-	-	(17)
At 30 June 2007	440	-	-	-	440
(Charge) / credit to income	(400)	-	13	-	(387)
At 30 June 2008	40	-	13	-	53

20. Other financial liabilities

	Group		Company	
	At 30 June 2008	At 30 June 2007	At 30 June 2008	At 30 June 2007
Trade and other payables	£'000	£'000	£'000	£'000
Current payables				
Amounts payable to subsidiaries	-	-	3,236	1,765
Trade payables	60,138	51,423	-	-
Social security and other taxes	3,294	3,408	107	81
Other payables	7,804	7,718	835	632
Accruals and deferred income	872	1,427	24	404
	72,108	63,976	4,202	2,882
Non-current payables - Other payables	-	281	-	-

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in creditors. Trade payables include £56.9 million (2007: £50.4 million) of counterparty balances. Accruals and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

21. Provisions - Group

	Commission on indemnity terms
Included within non-current liabilities:	£'000
At 1 July 2006	515
Charged during the year	164
Utilised during year	(150)
At 1 July 2007	529
Utilised during year	(85)
At 30 June 2008	444

The indemnity provision represents management's best estimate of the Group's liability to repay commission received on indemnity terms. The provision is based on past experience and the volume of indemnified commission, and is expected to be utilised over indemnity periods of up to 4 years.

22. Share capital – Company and Group

	At 30 June 2008	At 30 June 2007
	£'000	£'000
Authorised:		
525,000,000 ordinary shares of 0.4p each	2,100	2,100
Issued and fully paid:		
Ordinary shares of 0.4p each	1,897	1,897
	Shares	Shares
Issued and fully paid:		
Number of ordinary shares of 0.4p each	474,318,625	474,318,625

The Company has one class of ordinary shares which carry no right to fixed income.

23. Share premium account - Company and Group

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Balance at beginning of year	8	1,733
Utilisation of share premium account	-	(1,725)
Balance at end of year	8	8

This reserve represents the difference between the issue price and the nominal value of shares issued.

24. Investment revaluation reserve

	Group		Company	
	At 30 June 2008	At 30 June 2007	At 30 June 2008	At 30 June 2007
	£'000	£'000	£'000	£'000
Balance at beginning of year	-	7,149	-	1,393
Increase in fair value of available-for-sale investments	-	1,886	-	85
Deferred tax on increase in fair value	-	(684)	-	(17)
Disposal of available-for-sale investments	-	(11,917)	-	(1,892)
Tax on disposal of available-for-sale investments	-	3,566	-	431
Balance at end of year	-	-	-	-

The investment revaluation reserve represents the increase in fair value of available-for-sale investments held by the Group, net of deferred tax.

25. Capital redemption reserve – Company and Group

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Balance at beginning and at end of year	12	12

The capital redemption reserve relates to the repurchase and cancellation of the Company's own shares.

26. Shares held by Employee Benefit Trust reserve - Group

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Balance at beginning of year	(7,552)	(19,809)
Shares acquired in the year	(3,101)	-
Shares sold	914	12,257
Balance at end of year	(9,739)	(7,552)

The Shares held by Employee Benefit Trust reserve represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown plc Employee Benefit Trust to satisfy options under the Group's share options schemes (see note 32).

27. EBT reserve - Group

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Balance at beginning of year	12,030	(63)
Gain / (loss) on sale of shares by EBT	23	13,386
Tax on sale of shares by EBT	-	(1,293)
Balance at end of year	12,053	12,030

The EBT reserve represents the cumulative gain / (loss) on disposal of investments held by the Hargreaves Lansdown Employee Benefit Trust ("the EBT"). The reserve is not distributable by the Company as the assets and liabilities of the EBT are subject to management by the Trustees in accordance with the EBT trust deed.

In 2007 the net gain on the sale of shares by the EBT (after tax) of £12,903,000 was shown in the Statement of Recognised Income and Expense and credited directly to the equity EBT reserve. Items taken directly to equity are required to be shown in the Statement of Recognised Income and Expense, however IAS1 requires that transactions in the Company's own shares should not be shown in the statement, accordingly the amount reported in 2007 has been restated. Further, we have reclassified the cash flows in respect of the sale and purchase of own shares from investing activities to financing activities as it is considered that this presentation more appropriately represents the true nature of the cash flows.

28. Share option reserve - Group

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Balance at beginning of year	7,082	914
Share based payments expense	205	508
Deferred tax effect of share based payments	(1,220)	3,352
Tax relief on exercise of share options	818	2,308
Balance at end of year	6,885	7,082

This distributable reserve represents the effect of share based payments and associated deferred tax.

29. Retained earnings

	Group		Company	
	At 30 June 2008	At 30 June 2007	At 30 June 2008	At 30 June 2007
	£'000	£'000	£'000	£'000
Balance at beginning of year	31,018	27,361	2,178	12,376
Dividends paid	(14,164)	(13,298)	(14,164)	(13,298)
Net profit for the period	42,394	16,955	37,755	3,100
Minority Interest	7	-	-	-
Balance at end of year	59,255	31,018	25,769	2,178

30. Notes to the consolidated cash flow statement

	Group		Company	
	At 30 June 2008	At 30 June 2007	At 30 June 2008	At 30 June 2007
	£'000	£'000	£'000	£'000
Profit for the year after tax	42,394	16,955	37,755	3,100
Adjustments for:				
Investment revenues	(3,113)	(1,430)	(38,740)	(7,635)
Other gains and losses	(53)	(11,917)	-	(2,456)
Income tax expense	18,551	7,435	355	(407)
Loss on disposal of tangible fixed assets	-	10	-	-
Depreciation of plant and equipment	1,058	897	160	175
Depreciation of intangible assets	171	69	-	-
Share-based payment expense	205	508	-	-
Increase in provisions	(85)	19	-	-
Operating cash flows before movements in working capital	59,128	12,546	(470)	(7,223)
(Increase) / decrease in receivables	(25,067)	(5,625)	418	13,593
Increase in payables	7,851	5,979	1,320	1,853
Cash generated by operations	41,912	12,900	1,268	8,223
Income taxes (paid) / received	(7,242)	(5,159)	2,725	(975)
Net cash from operating activities	34,670	7,741	3,993	7,248

31. Commitments

Operating lease commitments	Year ended 30 June 2008	Year ended 30 June 2007
The Group as lessee	£'000	£'000
Minimum lease payments under operating leases recognised as an expense in the year	810	673

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Within one year	827	681
In the second to fifth years inclusive	8,525	396
After five years	2,810	-
Total minimum lease payments	12,162	1,077

Operating lease payments represent rentals payable by the Group for certain of its office properties. The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation values and renewal rights. A new 17 year lease in respect of office premises to be occupied in 2009 / 10 has been included in the minimum lease payments shown above, however rent is not payable until the property is occupied and the lease agreement contains an option to break the lease after 5 years.

VAT group registration

As a result of group registration for VAT purposes, the Company is contingently liable for VAT liabilities arising in other companies within the VAT group which at 30 June 2008 amounted to £119,184 (2007: £116,133).

32. Share based payments

Equity-settled share option scheme

The Group seeks to facilitate significant equity ownership by employees, principally through schemes which encourage and assist the purchase of the Group's shares.

The Group operates three share option plans: the 1999 Employee Savings-Related Share Option Scheme ("SAYE"), the Hargreaves Lansdown plc Share Incentive Plan ("SIP"), and the Hargreaves Lansdown Company Share Option (2000) Scheme (the "Executive Option Scheme").

Awards granted under the Employee SAYE scheme vest over five years. Awards granted under the Employee Share Incentive Plan vest over a three-year period. Awards granted under the Executive Option Scheme vest between nil and ten years. Options are exercisable at a price equal to the HMRC approved market value of the Company's shares on the date of grant. There are no performance conditions for options granted under any of the schemes, although options are forfeited if the employee leaves the Group before the options vest.

The recognition and measurement principles in IFRS 2 have been applied to all grants after 7 November 2002 which had not vested by 1 July 2005. They have not been applied to any grants made prior to 7 November 2002.

Details of the share options outstanding during the year are as follows:

	30 June 2008		30 June 2007	
	Share options no.	Weighted average exercise price pence	Share options no.	Weighted average exercise price pence
SIP				
Outstanding at beginning of year	959,750	23.5	-	-
Granted during the year	-	-	983,950	23.5
Forfeited during the year	(72,875)	23.5	(24,200)	23.5
Outstanding at the end of the year	886,875	23.5	959,750	23.5
Exercisable at the end of the year	-	-	-	-

32. Share based payments (continued)

	30 June 2008 Share options no.	30 June 2008 Weighted average exercise price pence	30 June 2007 Share options no.	30 June 2007 Weighted average exercise price pence
SAYE				
Outstanding at beginning of year	8,867,925	10.4	7,679,375	3.6
Forfeited during the year	(454,575)	36.8	(8,800)	54.5
Exercised during the year	(274,725)	3.6	(3,843,400)	3.6
Granted during the year	-	-	5,040,750	54.5
Outstanding at the end of the year	8,138,625	33.3	8,867,925	10.4
Exercisable at the end of the year	-	-	274,725	3.6
Executive Option Scheme				
Outstanding at beginning of year	4,042,500	60.5	6,875,000	54.5
Forfeited during the year	-	-	(687,500)	54.5
Granted during the year	-	-	7,287,500	62.8
Exercised during the year	(1,650,000)	56.1	(9,432,500)	58.3
Outstanding at the end of the year	2,392,500	63.6	4,042,500	60.5
Exercisable at the end of the year	2,392,500	63.6	4,042,500	60.5

The weighted average share price of options exercised during the year at the date of exercise was 208.33 pence.

The share options outstanding at the end of each year have exercise prices and expected remaining lives as follows:

	30 June 2008 Share options no.	30 June 2008 Weighted average expected remaining life	30 June 2007 Share options no.	30 June 2007 Weighted average expected remaining life
Option exercise price range (pence)				
2.7 to 3.6	3,402,575	0.1 years	3,835,975	0.9 years
23.5	886,875	1.4 years	959,750	2.3 years
54.5	4,736,050	3.9 years	6,406,950	4.0 years
63.6	2,392,500	0 years	2,667,500	0.9 years
	11,418,000	1.3 years	13,870,175	2.0 years

32. Share based payments (continued)

No share options were granted during the year ended 30 June 2008. The weighted average share price during the year ended 30 June 2008 was 190.15p. The fair value at the date of grant of options awarded during the year ended 30 June 2007 has been estimated by the Black Scholes methodology and the principal assumptions required by the methodology were as follows:

	At 30 June 2007
Weighted average share price	66.8p
Expected dividend yields	3.00%
SAYE	
Weighted average exercise price	3.6p
Expected volatility	32%
Risk-free rate	5.00%
Expected life	3 years
Executive scheme	
Weighted average exercise price	54.5p
Expected volatility	32%
Risk-free rate	5.00%
Expected life	1.1 years
SIP	
Weighted average exercise price	23.5p
Expected volatility	32%
Risk-free rate	5.00%
Expected life	2.3 years

Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore no readily available market price existed for the shares. The share price of share option awards granted prior to 15 May 2007 were based on the latest market value agreed with H M Revenue and Customs using an earnings multiples approach based on comparable quoted companies. Similarly, share price volatility was estimated as the average of the volatility experienced by a comparable group of quoted companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Since 15 May 2007, a quoted market price has been available for the company's shares.

The Group recognised total expenses related to equity-settled share-based payment transactions as shown in note 7.

33. Events after the balance sheet date

Share options

During August and September 2008, 3,446,300 Save As You Earn scheme share options were exercised at weighted average price of 3.6 pence per share. The options were satisfied by a transfer of shares from the Hargreaves Lansdown Employee Benefit Trust.

Dividend

On 27 August 2008 the Directors proposed a final ordinary dividend payment of 2.42 pence per ordinary share and a special dividend of 2.324 pence per ordinary share, payable on 30 September 2008 to all shareholders on the register at the close of business on 5 September as detailed in note 11.

34. Related Party Transactions

The Group has a related party relationship with its subsidiaries, and with its directors and members of the Executive Committee (the "key management personnel"). Transactions between the Group and its key management personnel are disclosed below. Details of transactions between the Group and other related parties are also disclosed below.

Trading transactions

The Group entered into the following transactions with directors and related parties who are not members of the Group:

During the years ending 30 June 2008 and 30 June 2007 the Group has been party to a lease with P K Hargreaves and S P Lansdown, who are both directors of the Company, for the rental of the head office premises at Kendal House at an annual rental of £302,400. No amount was outstanding at any year end.

During the years ending 30 June 2008 and 30 June 2007 the Group has provided a range of investment services to shareholders, directors and staff on normal third party business terms.

Remuneration of key management personnel

The remuneration, excluding national insurance costs, of the key management personnel of the Group being those personnel who were either a member of the Board of a Group company or a member of the Executive Committee during the relevant year shown below, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Short-term employee benefits	5,682	29,680
Defined contribution pension costs	417	21
Share-based payment	15	359
	6,114	30,060

Included within the above are the following amounts paid to directors of the Company who served during the relevant year. Full details of directors' remuneration are shown in the Remuneration Committee report.

	£'000	£'000
Wages and salaries, excluding national insurance costs	1,613	3,326
Exceptional bonus payments (see note 6), excluding national insurance costs	-	22,404
Pension contributions	218	9
Share-based payment	2	160
	1,833	25,899
Aggregate gains made on the exercise of share options	2,540	1,752
Emoluments of the highest paid director	747	10,177
Pension contributions of the highest paid director	-	-
Number of directors who were members of money purchase pension schemes	1	8

34. Related Party Transactions (continued)

Transactions between subsidiaries and between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The parent Company, Hargreaves Lansdown plc, entered into the following transactions with subsidiaries and the Employee Benefit Trust, which are related parties.

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Dividends received from subsidiaries	38,300	7,500
Management charges to subsidiaries	699	636
Amounts owed to related parties at 30 June	3,237	1,765
Amounts owed from related parties at 30 June	16	488

35. Financial instruments

Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values. Market values have been used to determine the fair values of cash and cash equivalents, and available-for-sale financial assets where there is a quoted market price. Investments in equity instruments which do not have a quoted market price in an active market or whose fair value cannot be reliably measured are measured at cost which the directors believe is not significantly different than fair value.

Nature and extent of risks arising from financial instruments

(a) Financial risk management

Financial assets principally comprise trade and other receivables, cash and cash equivalents, and current asset listed and unlisted investments. Financial liabilities comprise certain provisions and trade and other payables. The main risks arising from financial instruments are interest rate risk, foreign exchange risk, price risk, liquidity risk, and credit risk. Each of these risks is discussed in detail below.

The Group monitors financial risks on a consolidated basis.

Hargreaves Lansdown's financial risk management is based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the years presented. The Group has designed a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate to a listed company. The management of risk within the Group is governed by the Board.

(b) Market risk

Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest bearing assets. There is an exposure to interest rates on banking deposits held in the ordinary course of business. At 30 June 2008 the value of financial instruments on the Group balance sheet exposed to interest rate risk was £68,241,000 (2007: £48,092,000) comprising cash and cash equivalents. A 100bps (1%) move in interest rates, in isolation, would not have a material impact on the Group balance sheet or results. This exposure is continually monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. The Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are also made for varying periods of between one day and six months depending on the immediate cash requirements of the Group and earn interest at the respective fixed term deposit rates. As a source of revenue is based on the value of client cash under administration, the Group has an indirect exposure to interest rate risk on cash balances held for clients. These balances are not on the Group balance sheet.

Foreign exchange translation and transaction risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. With substantially all of the Group's businesses located within the UK, and therefore with minimal net assets and transactions of the Group denominated in foreign currencies, the Group is not exposed to significant foreign exchange translation or transaction risk and as such does not hedge any foreign current assets or liabilities. The Group deals in foreign currencies on a matched basis on behalf of clients, limiting foreign exchange exposure.

35. Financial instruments (continued)

Price risk

Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group either as a result of an asset not meeting its expected value or through the decline of assets under management generating lower revenue.

The Group is exposed to price risk on corporate investments held on the Group balance sheet. At 30 June 2008, the fair value of investments recognised on the Group balance sheet was £1,142,000 (2007: £1,169,000). A 20% move in equity prices, in isolation, would not have a material impact on the Group balance sheet or results.

As a main source of revenue is based on the value of client assets under administration, the Group has an indirect exposure to security price risk on investments held for clients. These assets are not on the Group balance sheet. The risk of lower revenues is partially mitigated by asset class diversification. The Group does not hedge its revenue exposure to movements in the value of client assets arising from these risks, and so the interests of the Group are aligned to those of its clients.

In addition, the Group acts as a private client investment manager, unit trust manager and agency stockbroker on a matched basis so its exposure to market price movements in this capacity is limited to when there is a trade mismatch or error, or if one matched counterparty fails to fulfil its obligations. The impact of these risks is minimised by limits and monitoring controls.

(c) Liquidity risk

The Group is exposed to liquidity risk, namely, the risk that it may be unable to meet its payment obligations as they fall due. The Group is highly cash generative and holds significant liquid assets. The Group actively maintains cash balances on short term deposit to ensure that the Group has sufficient available funds for operations.

The table below analyses the maturities of the undiscounted cashflows relating to financial liabilities of the Group based on the remaining period to the contractual maturity date at the balance sheet date.

At 30 June 2008	0-3 months	3-6 months	6-12 months	Over 1 year	Total
	£'000	£'000	£'000	£'000	£'000
Trade and other payables - current:					
Trade payables	60,138	-	-	-	60,138
Social security and other taxes	3,252	42	-	-	3,294
Other payables	7,456	348	-	-	7,804
Accruals and deferred income	848	24	-	-	872
Total	71,694	414	-	-	72,108
Current tax	4,500	4,500	1,266	-	10,266
Long term provisions	279	-	-	165	444
Total financial liability exposed to liquidity risk	76,473	4,914	1,266	165	82,818
At 30 June 2007					
Trade and other payables – current:					
Trade payables	51,423	-	-	-	51,423
Social security and other taxes	3,365	35	8	-	3,408
Other payables	7,444	274	-	-	7,718
Accruals and deferred income	1,387	40	-	-	1,427
Total	63,619	349	8	-	63,976
Current tax	194	2,218	(2,745)	487	154
Trade and other payables - non current	281	-	-	-	281
Long term provisions	364	-	-	165	529
Total financial liability exposed to liquidity risk	64,458	2,567	(2,737)	652	64,940

35. Financial instruments (continued)

(d) Credit risk

The Group has no significant concentration of credit risk as credit exposure is spread over a large number of counterparties and customers.

Within the Group's Stockbroking operation, the Group is exposed to credit risk from counterparties to a securities transaction during the period between the trade date and the settlement date. This period is generally three business days. The Group has credit exposure that extends beyond the original settlement date if the counterparty fails either to make payment or to deliver securities. These transactions are with financial institutions and clients. Settlement risk is substantially mitigated as a result of the delivery versus payment mechanism whereby if a counterparty fails to make payment, the securities would not be delivered to the counterparty. In that instance, the securities could be sold in the market and therefore the economic substance of the transaction is that securities serve as collateral in the case of delivery versus payment trade debtors. As a result, the risk exposure is effectively to an adverse movement in market prices between the time of trade and settlement.

Other credit risk within the Group is primarily attributable to its trade receivables and the majority represents balances due from other regulated financial institutions where there is an ongoing relationship between the Group and institution. Credit risk is therefore considered to be limited. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Cash is held with UK banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group takes a conservative approach to treasury management and selection of banking counterparties, and carries out at least an annual review of all its banks' and custodians' credit ratings.

The following table discloses the Group's maximum exposure to credit risk on financial assets.

	At 30 June 2008	At 30 June 2007
	£'000	£'000
Loans and receivables at cost:		
Cash and cash equivalents	68,241	48,092
Trade and other receivables	76,602	51,533
Financial assets at fair value through profit or loss:		
Financial investments	401	428
Available for sale financial assets:		
Financial investments	741	741
	145,985	100,794

35. Financial instruments (continued)

The following table contains an analysis of financial assets that are past due but not impaired at the balance sheet date. An asset is past due when the counterparty has failed to make a payment when contractually due.

	Neither impaired nor past due	0-3 months past due	3-6 months past due	6-12 months past due	Over 12 months past due	Total
Group	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2008						
Trade receivables	55,629	7,582	215	131	63	63,620
Other receivables	367	-	3	-	1	371
Prepayments and accrued income	12,312	-	43	87	169	12,611
	68,308	7,582	261	218	233	76,602
Held for trading assets	401	-	-	-	-	401
Available-for-sale assets	741	-	-	-	-	741
	69,450	7,582	261	218	233	77,744
At 30 June 2007						
Trade receivables	43,009	1,906	129	58	51	45,153
Other receivables	210	155	-	-	3	368
Prepayments and accrued income	5,697	74	97	-	144	6,012
	48,916	2,135	226	58	198	51,533
Held for trading assets	428	-	-	-	-	428
Available-for-sale assets	741	-	-	-	-	741
	50,085	2,135	226	58	198	52,702

35. Financial instruments (continued)

The table below shows the credit quality of financial assets that are neither past due nor impaired using the following counterparty gradings:

Financial institutions
In respect of trade receivables, £9.9 million (2007: £9.1 million) is due from financial institutions regulated by the FSA in the course of settlement as a result of daily trading and £4.4 million (2007: £6.8 million) is revenue items due from financial institutions regulated by the FSA.

For prepayment and accrued income, the balance is mainly made up of accrued interest due from financial institutions regulated by the FSA on own and client cash balances.

Corporate clients
Prepayments relating to businesses other than financial institutions, mainly purchase suppliers.

Individuals
In respect of trade receivables, the balance is related to amounts due from individual clients in the course of settlement as a result of daily trading.

For prepayment and accrued income, the balance includes management fees and charges due from clients

	Financial institutions	Corporate clients	Individuals	Total
Group	£'000	£'000	£'000	£'000
At 30 June 2008				
Trade receivables	14,365	-	41,264	55,629
Other receivables	367	-	-	367
Prepayments and accrued income	8,952	1,224	2,136	12,312
Held for trading assets	401	-	-	401
Available-for-sale assets	741	-	-	741
	24,826	1,224	43,400	69,450
At 30 June 2007				
Trade receivables	15,878	-	27,131	43,009
Other receivables	199	11	-	210
Prepayments and accrued income	2,700	1,040	1,957	5,697
Held for trading assets	428	-	-	428
Available-for-sale assets	741	-	-	741
	19,946	1,051	29,088	50,085

35. Financial instruments (continued)

Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 30 June 2008 was £70,311,000 (2007: £44,495,000) and this capital is managed via the net assets to which it relates.

Regulatory capital is determined in accordance with the requirements of the Capital Requirements Directive prescribed in the UK by the Financial Services Authority ("FSA"), and the Group's regulatory capital is divided into two tiers:

Tier 1 capital, which is the total of issued share capital, retained earnings and reserves created by appropriations of retained earnings, net of the book value of goodwill and other intangible assets; and
Tier 2 capital, which is unrealised gains arising on the fair valuation of equity instruments held as available-for-sale.

The Group's objectives when managing capital are i) to comply with the regulatory capital requirements set by the FSA; ii) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and iii) to maintain a strong capital base to support the development of its business.

With effect from 1 January 2007, all regulated entities within the Group were required to meet the Pillar 1 regulatory Capital Resources Requirements (CRR) set out in the Capital Requirements Directive (the Directive). The CRR is the higher of i) the fixed overhead requirement and ii) the sum of the credit risk capital requirement and the market risk capital requirement.

Further requirements of the Directive under Pillar 2 (operational risk) and Pillar 3 (market disclosure) came into effect on 1 January 2008 which has affected the methodology used to determine the Group's regulatory capital requirements. The Directive requires continual assessment of the Group's risks in order to ensure that the higher of Pillar 1 and 2 requirements is met, the objective being to ensure that the regulated firms have adequate capital to enable them to manage their risks. The Group has completed its assessment of regulatory capital requirements for 2008 including its Individual Capital Adequacy Assessment Process (ICAAP) under Pillar 2, which is a forward looking exercise that includes stress testing on major risks, such as a significant market downturn, and identifying mitigating action. The ICAAP has been discussed with the FSA, but is subject to formal review and approval by it during 2008. The Group does not foresee any significant change in the level of capital required to satisfy prudential regulations, approximately £7million.

All of the regulated firms maintained surplus regulated capital throughout the year. The regulatory capital surplus in the Group was £25 million at 30 June 2008 (2007: £18 million). Capital adequacy and the use of regulatory capital are monitored by the Group's management.

Directors, Company Secretary, Advisors and Shareholder Information

Executive Directors
Peter Hargreaves
Stephen Lansdown
Martin Mulligan

Non-Executive Directors
Jonathan Bloomer
Michael Evans
Jonathan Davis (appointed 1 February 2008)

Company Secretary
Tracey Taylor

AUDITORS
Deloitte & Touche LLP, Bristol

SOLICITORS
Burges Salmon LLP, Bristol

PRINCIPAL BANKERS
Lloyds TSB Bank plc, Bristol

REGISTRARS
Equiniti Limited (formerly Lloyds TSB Registrars)

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Five Year Summary

	IFRS 2008 £'000	IFRS 2007 £'000	IFRS 2006 £'000	IFRS 2005 £'000	IFRS 2004 £'000
Revenue	120,332	98,769	73,460	50,379	42,520
Administrative expenses	(62,553)	(58,098)	(49,190)	(37,290)	(32,591)
Share of results of associates	-	-	-	(3)	(57)
Underlying operating profit	57,779	40,671	24,270	13,086	9,872
Exceptional administrative expenses	-	(29,628)	(19,627)	(451)	(3,903)
Operating profit	57,779	11,043	4,643	12,635	5,969
Amortisation	-	-	-	-	-
Investment revenue	3,113	1,430	2,919	1,833	840
Other gains and losses	53	11,917	35	36	-
Profit before tax	60,945	24,390	7,597	14,504	6,809
Tax	(18,551)	(7,435)	(1,584)	(4,172)	(1,876)
Profit after tax	42,394	16,955	6,013	10,332	4,933
Equity minority interests	7	-	-	-	-
Profit for the financial year attributable to members of the parent company	42,401	16,955	6,013	10,332	4,933
Equity shareholders' funds	70,371	44,495	17,469	35,131	26,584

	pence	pence	pence	pence	pence
Equity dividends per share paid during year	3.06	3.00	1.81	0.72	0.72
Basic earnings per share	9.1	3.6	1.4	2.2	1.0
Diluted earnings per share	9.0	3.6	1.3	2.2	1.0
Underlying basic earnings per share	9.1	6.5	4.5	2.2	1.6
Underlying diluted earnings per share	9.0	6.4	4.2	2.2	1.6

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